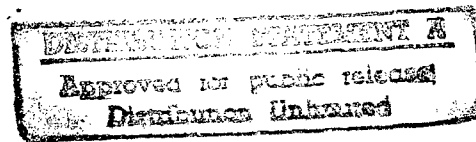


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# ***JPRS Report***



# **China**

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## GENERAL

### Course of German-Soviet Relations Discussed

91CM0152A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 47, 19 Nov 90 p 43

[Article by Special Correspondent Hu Yongzhen (5170 3057 7202): "Symbols of Deepening German-USSR Cooperation"]

[Text] **Special from Bonn**—On 9 and 10 November, Soviet President Mikhail Gorbachev made a working visit to Germany where he was accorded an enthusiastic red-carpet reception. Although short, his visit to Germany reflected the further development of relations between the Soviet Union and Germany.

Gorbachev was the first foreign head of state to visit Germany following unification. During his visit, both parties signed a "Treaty of Good Neighborliness, Partnership, and Cooperation" symbolizing a period of further all-around cooperation in relations between the two countries. This treaty, which is regarded as laying the foundation for future relations between Germany and the USSR, contains 22 articles, is to run for 20 years, and may be extended for five-year periods following expiration. This is a treaty of full cooperation between Germany and the USSR in the political, economic, cultural, scientific and technical, and environmental protection fields. It will put relations between the two countries on a "sound and long-term basis," and it will "extend into the next century." (German Chancellor Helmut Kohl) The treaty sets standards for political relations between the two countries, providing for mutual nonaggression, no threats to use armed force, and no raising of territorial demands as principles for the conduct of neighborly relations. The treaty also provides that the two countries will hold highest level political talks at least once each year, that foreign ministry-level meetings will be held twice each year, and that the ministers of national defense will regularly exchange views. Should urgent circumstances occur, both parties are to consult with each other at once for a coordination of their positions and of measures to be taken to deal with the crisis. The treaty also provides for cooperation in the economic, cultural, and scientific and technical fields. The rights of 2 million Soviet citizens of German origin, an unresolved issue of longstanding, was also solved in principle.

Germany and the Soviet Union previously signed two important accords: One was the Moscow Treaty of 1970, and the other was the joint announcement signed when Gorbachev visited the Federal Republic of Germany in June 1989. The significance of the present treaty far exceeds that of previous agreements. When drafting the joint announcement in 1989, Germany had reservations. Consequently, the phrasing "partnership" was replaced by "partnership-like cooperation." In the most recently signed treaty, not only was the term "partnership" used, but it appears in the treaty's title. In addition, the treaty has a mutual nonaggression provision, which no past

agreement had. The present treaty is commonly referred to as the "partnership treaty." At the signing ceremony held in Schaumburg Palace, the chancellor's residence, both Gorbachev and Kohl gave high marks to the treaty. Gorbachev said that the treaty "finally concluded the era of confrontation," and was "the beginning of a new stage in relations" between the two countries. Kohl said that the treaty is "a fine beginning for the future."

The two sides signed two additional treaties. One was a German-Soviet "Treaty for the Development of Full Cooperation in the Economic, Industrial, Scientific, and Technical Fields," which is to run for 20 years. In the treaty, Germany promised to provide the USSR with vigorous support in the aforesaid regards. Both sides will establish cooperation committees for economic and for science and technology. These committees will exchange views at least annually on urgent and long-standing problems, and they will promote joint cooperation projects, including commercial space flights, the development of raw materials, the products of food industries and automobile industries, as well as of industries exporting to other countries, and expansion of the training of managerial personnel for enterprises. This treaty also resolved problems of Soviet economic relations with the former East German region. Both parties unanimously decided that they will "use appropriate measures to ensure continuation and further development of trade and economic relations between Germany and the USSR. This is extremely important for the Soviet economy. The USSR and the former GDR were formerly longstanding major trading partners. Economic relations between the two countries were close, and they relied greatly on each other. Statistics show that in September 1989 the GDR had 160 joint enterprises and enterprises that had signed cooperative agreements with the USSR. At that time, 40 percent of the GDR's foreign trade was with the USSR, and Soviet trade with the GDR also accounted for 11 percent of the USSR's foreign trade. Following German unification, the USSR feared that former agreements with the GDR to supply goods might not be honored to the consequent impairment of the USSR's economic interests. The treaty just signed between the USSR and Germany provides that Germany will strive to enable the USSR to continue to receive supplies of spare parts for machinery and equipment it formerly imported from the GDR. Germany will strive to enable the USSR to export to the former GDR products for which the EEC does not limit amounts and specifications, and it will exempt them from EEC duties for a certain period of time.

The second agreement was on labor and social welfare. This was the first such agreement that the USSR signed with a market economy country in this field. The agreement provides that Germany will provide the USSR with advice and cooperation on labor employment and social security, particularly with regard to the building of employment administration agencies, labor methods, labor organizations, labor protection, and social welfare.

As a return visit for Kohl's July 1990 visit to Gorbachev's hometown, on this occasion Gorbachev was invited to Kohl's hometown in Rheinland-Pfalz. There he visited the ancient Speer Cathedral, and he had lunch with Kohl at Deidesheim. Later, he had coffee with Kohl in a cordial atmosphere. Soviet Foreign Minister Shevardnadze also accepted German Foreign Minister Hans-Dietrich Genscher's invitation to visit his hometown in Halle.

Relations between Germany and the USSR result from mutual need. For some time, the USSR has had severe ethnic problems, its economic situation is grim, and it needs Germany's support in making a transition to a market economy. Consequently, development of relations with Germany has become a key point in the Soviet Union's foreign relations. Furthermore, Germany's gratitude to the USSR for its role in the unification of Germany remains boundless. Both German President Weizsacker and Kohl repeatedly stressed during this visit of Gorbachev that "without Gorbachev, Germany's unification could not have occurred this fast." Moreover, Germany regards the USSR as a catalyst for and a stabilizer of change in Europe, not to mention the vast Soviet and East European market, which holds very great attraction for the post-unification German economy. In June 1990, Germany began to provide the USSR with a large amount of assistance, including the guarantee of a 5 billion mark bank credit. It provided the USSR with 12 billion marks in assistance for Soviet troops stationed in the former GDR and for their withdrawal prior to 1994, and an interest-free credit of 3 billion marks. During Gorbachev's visit, neither party brought up specific assistance amounts. In a certain sense, this was a visit that was longer on appearance than substance. Even so, at an evening banquet, Kohl promised that he would continue vigorous assistance to the USSR. It is anticipated that, as a result of Gorbachev's visit, German-Soviet relations will continue to develop in breadth and in depth.

## SOVIET UNION

### Soviet Market Economy Transition Plan Explained

91CM0151A Beijing BAN YUE TAN  
[SEMIMONTHLY TALKS] in Chinese No 21,  
10 Nov 90 pp 59-60

[Article by special correspondent Wang Chengcai (8001 2052 2088): "USSR Begins Transition to Market Economy"]

[Text] On 19 October, the Supreme Soviet of the USSR "approved in principle" President Mikhail Gorbachev's "Basic Policy for Stabilizing the National Economy and Making the Transition to a Market Economy," with 356 approving votes, 12 dissenting votes, and 26 abstentions. This marks a decisive step in reform of the Soviet Union's economic system, abandonment of the highly centralized form of economic development of the past

several decades, and the beginning of a transitional stage toward a market economy. It brings to a temporary close the intense debate about a market economy that has been going on for nearly a year.

Gorbachev's plan for a transition to a market economy suffered many setbacks before seeing the light of day. In December 1989, the Supreme Soviet passed a six-year plan that Council of Ministers Chairman Nikolay I. Ryzhkov proposed for first bringing the economy under control and then making a transition to a market economy. However, because of an intensification of the political crisis in early 1990, a slide in production, and increased consumer market shortages, the plan to make a transition to a market economy after bringing the economy under control was frustrated. After Gorbachev was elected president in March 1990, he proposed a transition to a market economy as the "only way" in which to avert economic crisis, and he charged the government with drawing up as quickly as possible a plan for transition to a market economy. In May, Ryzhkov presented for the Supreme Soviet's consideration a plan for stable transition that had been drawn up mostly by Abalkin. However, this plan encountered opposition from members holding radical views, and it was not passed. At the same time, panic-buying raged through the markets; one after another, each of the republics issued declarations of sovereignty; and the USSR was facing the danger of disintegration. Faced with these circumstances, proposals to make a transition to a market economy in a single step began to appear. At the end of July, Gorbachev and the chairman of the Supreme Soviet of the Russian Soviet Federated Socialist Republic [RSFSR], Boris Yeltsin, reached an agreement whereby Shatalin, a member of the president's committee, would draft a "radical plan" for making a transition to a market economy within 500 days. In addition, Ryzhkov used a revision of the May plan as a basis for proposing a "moderately radical plan." At the Supreme Soviet meeting of 10 September, delegates supporting the two plans squared off, neither side yielding. Both inside and outside the meeting, a tide welled up demanding the resignation of the Ryzhkov government, but Ryzhkov preferred to resign rather than implement Shatalin's radical 500-day plan. In order to avert social disintegration and a political crisis under these circumstances, the Supreme Soviet mandated that Gorbachev use both plans as a basis for proposing a unified transition policy. Finally, a compromise plan, "Basic Plan for Stabilizing the Economy and Making a Transition to a Market Economy" was passed. Its main provisions were as follows:

The Soviet Union and each of its constituent republics must institute a common strategy for making the transition to a market economy. In addition, they were to consider "to the maximum extent possible" the special needs of each republic and territory. Thus, the president and the government could "effectively" use the powers conferred upon them to formulate policy, and each republic could formulate and implement its own plans

for a transition to a market economy within the scope of common plans and policies. This was for the purpose of maintaining central government macroeconomic control. In explaining why matters were handled this way, Gorbachev emphasized that, "while abandoning over-centralization, one should not end up at the other extreme of overdecentralization, because excessive decentralization could lead to economic chaos."

Building a "market economy filled with vitality" will require many years, but the government financial situation must be greatly improved within one and a half to two years, and the currency must be stabilized and strengthened as a basis for beginning to implement self-regulating market mechanisms. This year and a half to two years was to be divided into four stages, each jurisdiction deciding the time periods and detailed rules and regulations on the basis of their specific circumstances.

The establishment and development of all forms of ownership, including private ownership, was to be permitted, the underlying premise being only that they played a role in increasing production within their own area. All forms of ownership were also to be equal, the state controlling anything having to do with important economic sectors of the country.

On the "especially sensitive" issue of the land ownership system, multiple forms were to be permitted, and renting was to be allowed. However, whether a system of private ownership of land was to be instituted would have to be decided by the vote of the people of the whole country; neither the presidium nor the president could make a ruling without authorization.

Price reforms were to be instituted gradually, but there was to be no "shock therapy" of putting reforms in place in a single step. State fixed prices were to apply to the most important necessities of life, and the degree of increase in retail prices of other necessities of life were also to be properly controlled by the state. The number of commodities over which price controls were exercised was to be reduced.

The emphasis of social policy was to be shifted toward increasing the highly efficient labor of workers; no longer were losing enterprises to be protected. At the same time, large-scale dismissals of personnel from work were also to be avoided. Proper arrangements were to be made for personnel whose positions had to be changed or who should be given vocational retraining. Those unable to work were to be provided with social assistance.

Members of the Supreme Soviet were to have an increased role in economic reform, and a committee that cuts across republic lines was to be established for a major reorganization of the government structure and the personnel makeup so as to enhance the representation of each republic in the government.

Opinions vary within the USSR as to whether Gorbachev's economic reform plan can be implemented.

Council of Ministers Chairman Ryzhkov said that the government he leads is preparing to carry out this plan, and he called upon political forces to "abandon political ambitions and other ambitions," to "unite in taking constructive steps." However, RSFSR Supreme Soviet Chairman Yeltsin predicted that "the president's plan is foredoomed to bankruptcy," and he announced that the RSFSR would institute its own 500-day plan for making a transition to a market economy beginning 1 November. Gorbachev criticized Yeltsin for "planning to change a plan for stabilizing the economy that affects the national interest into an object for playing politics." He stressed that the USSR presently faces its greatest test in making the transition to a market economy, and it must withstand this test; otherwise, the country will come to a historical dead end.

### Critique of 'Chaos,' Instability in Soviet Union

91CM0155A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 158, 1 Dec 90 pp 57-59

[Article by Ch'iu Yeh (8002 0396), special CHENG MING correspondent in Moscow: "Is the Soviet Union Likely To Become Another Lebanon?"]

[Text] From the perspective of the conditions that have arisen in all areas throughout the Soviet Union, there is now a great potential that the Soviet Union will become "Lebanonized." The Soviet Union becoming another Lebanon would not only bring great suffering to the Soviet people, but would also be a major misfortune for the whole world. May the powers that be protect us all, by forever averting such a catastrophe.

At a discussion of the problems involved in the Soviet transition to a market economy, which was held at a plenary session of the CPSU Central Committee on 8 October 1990, President Gorbachev stated with a very heavy heart that "unless the current negative phenomena are eliminated as quickly as possible, the Soviet Union is going to be faced with a very real threat of 'Lebanonization.'" In the almost two months since, not only have these negative phenomena not been eliminated, but they have been worsening steadily. The real threat of "Lebanonization" is now escalating in all areas throughout the Soviet Union.

### Chaos Exists at All Levels

It is currently impossible to find a field or stratum in the Soviet Union that is not experiencing chaos: it can be found in all fields, such as party, government, military, civilians, economy, culture, education, and health. The violence and bloodshed among the various nationalities are particularly serious, and have already cost the lives of tens of thousands of people. Disregarding the divisions and chaos within the CPSU itself, there is even chaos within the recently formed party groupings, many of which are running their course, and a number of which are emerging one after another, in the midst of the chaos. Some new party groupings do not have even the most

rudimentary guiding principles, and are left to mill about the streets shouting "freedom" and "democracy" and trying to arbitrarily settle the country's major issues on the streets. These kinds of party groupings can be frequently seen on Moscow's main streets in groups of a dozen, scores, or even up to hundreds. They march along the streets carrying banners, shouting slogans in cadence, and either not attracting the attention of passers-by, being spit at from behind, or even being ignored by curiosity-seeking foreigners. Soviet citizens call these party groupings "troublemakers," because they are unrealistic, can only shout others' slogans, and recklessly create disturbances.

The economic chaos is particularly severe, even to the point where stores are empty, state-owned factories have become goods supply centers for profiteers, and large quantities of sausages and imported canned meat, chicken, and cigarettes are being dumped into ponds and thrown away into forests. In many government departments, the chaos has reached the point where not even one genuine leader can be found, and a situation has evolved in which everyone is an official but no one is in charge. Graft, embezzlement, and bribery have become the fashion. Foreign businessmen in the Soviet Union do not know with whom to make deals and sign agreements or contracts—whether with the central government, the republics, the autonomous republics, or even cities and districts? Which of these levels of government actually still stands? The masses of people are extremely fearful about the future, wondering whether the rubles they hold will be worthless in the days to come. Will these rubles be measured by yardsticks or weighed by scales for future spending? Will there be enough to eat this winter and next spring? Might the various factions begin fighting, the guns begin roaring, and the walls and houses begin collapsing this morning or tomorrow evening? Some people complain that "although the Brezhnev era was a time of stagnation, at least we had enough food and clothing." Others object, saying "No, no, we cannot live as we did in the past, when we were not treated like human beings. The Gorbachev era is better, because we have the dignity due to human beings, freedom, and a future." However, the masses still seem to be dissatisfied with and confused about their current freedoms, and seem to feel that the future offered by Gorbachev is still too far off. In the midst of this great, unprecedented chaos, it is still the common people who are suffering the most both spiritually and materially. That those in power are interested only in fighting among themselves, while forgetting the interests of the common people, is the major reason why their prestige is eroding more with each passing day.

#### **The Threat of Battles Over Regional Sovereignty**

The current surprising battles that are being fought over regional sovereignty throughout the Soviet Union began when Lithuania first demanded its independence. Although Lithuania's demands had a certain influence on the other republics, they did not at first arouse battles over sovereignty throughout the Soviet Union, and did

not pose too great a threat to Soviet power. The Soviet government later imposed rather insignificant "economic sanctions" against the Republic of Lithuania, which forced it to back off from its demands. It was the Russian Republic that really caused the occurrence of "battles over regional sovereignty" throughout the Soviet Union. After the Russian Republic declared that the Russian constitution and all Russian laws superseded the Soviet Constitution and all Soviet laws, the Soviet Government was dumbfounded, and even President Gorbachev was at a loss as to what to do. The Soviet Government was well aware that imposing economic sanctions at that time against the Russian Republic, as it had done not long before against Lithuania, would not only be absolutely futile, but would instead further deteriorate the Soviet Government's standing. It was a well-known fact that the Soviet population, territory, economy, natural resources, industrial base, gold reserves, war industry, key military installations and, in a word, almost all Soviet property, was located in the Russian Republic. A high-ranking official of the Russian Republic stated publicly at that time that, "as the whole Soviet institutional structure is located on Russian territory, anyone who is unhappy about our actions may find someplace else to work."

After silently maintaining its original stand toward the Russian Republic for three weeks, the Soviet Government finally took several hesitant steps backward. What was terrifying was that the antireform faction within the military tried to take advantage of the Russian Republic's actions to start an armed struggle at that very moment. Fortunately, President Gorbachev and Russian Republic leader Yeltsin joined hands to expose and defuse this bombshell just in time.

Although the antireform forces in the military were temporarily muzzled, the other republics and factions in all areas throughout the Soviet Union saw that the Russian Republic's actions had prevailed, and began to rise up in response. Territorial battles between Armenia and Azerbaijan aroused by nationality conflicts worsened daily and, while neither side fought with nuclear weapons, both used almost all other modern military hardware, which forced people in the war zone to abandon their family property, go into exile in other areas, and become refugees. Just as the Armenia-Azerbaijan conflict was at its height, another brutal nationalities clash broke out in Dushanbe, the capital of the Tajik Republic, where Lenin Square was stained with blood and an uncounted number of corpses lay in the streets. Before the bones of these corpses were cold, a battle over territory and sovereignty broke out between Kirghiz and Uzbek people in the Osh district, where ruthless fighting at close quarters left up to 1,000 dead, village after village was reduced to ashes by the flames of war, and large numbers of people were left with no homes to return to and wandering about destitute in the streets of Frunze and Tashkent. While the people of Kirghiz and Uzbek were still killing each other, another battle over sovereignty and territory broke out in the

western Caucasus district of Georgia, closely followed by battles in the Republics of Kazakh, Ukraine, and Byelorussia. Just a few days previously, the Republic of Georgia had announced the total confiscation of all Soviet convalescent homes and tourist facilities in its territory, which also had caused a struggle in which people were hurt.

### The Tragic Realities of "Independence"

The republics, including the most powerful Russian Republic, which demanded independence and declared that their constitutions and all of their laws superseded the Soviet Constitution and all Soviet laws, are now experiencing great headaches. Many of their autonomous republics, nationality prefectures, and regions are also demanding their own independence, delimiting their own territorial boundaries, and issuing their own constitutions, and some are even declaring sovereignty over their land, sea, and airspace. While the republics are categorically denying and declaring illegal these actions by their autonomous republics, prefectures, and nationality regions, these small states, prefectures, and regions are refusing to budge and are asking "If you can break away from the Soviet Union and exercise your own sovereignty, why are similar actions by us illegal?" To this question the heads of the breakaway republics cannot find suitable answers. While these small states, prefectures, and regions may be small in size, they are certainly not short on courage, and some have even begun to organize their own armed forces, set up border tax offices, roll up their sleeves, and act independently.

Some of the breakaway republics have recently been hurrying to take actions, such as changing city and street names, doing away with former legal festivals and holidays, organizing and establishing their own armies, issuing their own currencies, and setting up their own customs houses. Many people are quite fed up with this and comment indignantly that "Wasting so much effort to change city and street names, do away with festivals and holidays, and issue different currencies certainly will not give us common people any extra butter, sausage, or daily necessities. While changing Leningrad back to St. Petersburg and Gorkiy to some other name may be all well and good, if these changes can improve our current state of national chaos, then hurry up and make them. Changing the names of Paris, London, Bonn, Washington, or Tokyo to Stalin or Brezhnev would certainly not worsen or turn the lives of their people overnight into ones such as ours."

Not only are the various republics in today's Soviet Union battling over territory, laws, and sovereignty, but even urban and rural areas are battling over sovereignty. The cities of Leningrad and Moscow, which were once besieged by fascism, are now under siege again, but this time by people in all areas throughout the Soviet Union! As these cities have issued ration cards to their residents, and people from other areas find it hard to buy anything there except postage stamps and train, bus, airline, movie, and theater tickets, their suburbs and formerly

designated republic suppliers are no longer providing Moscow and Leningrad with produce such as rice, flour, sugar, cooking oil, meat, eggs, or vegetables. This siege has alarmed these cities' residents and has caused chaotic waves of panic-buying of foodstuffs. This has sowed the seeds of mutual hostility in the hearts of people from urban and rural areas, who are likely to start fighting with each other if a provocation occurs. Some Soviet citizens are even complaining that "although our President Gorbachev may have won the 1990 Nobel Peace Prize for ending many years of cold war throughout the world, the Nobel Committee in Norway ought to deduct a part of his prize money for his failure to stop the infighting in the Soviet Union." Although this kind of mockery may be unfair, it must be admitted that it is certainly a bitter reality.

### The Controversy About the October Revolution

Doubts arose in 1990 for the first time in 73 years about the birthday of the Soviet State. While some people honor 7 November as a sacred day that commemorates the beginning of a new way of life for the Soviet people and evokes intense emotions throughout the world, others who wish to rewrite Soviet history abhor it as the beginning of a national extinction policy for the Soviet people. Thus, another great controversy arose over whether 7 November should be a day of national celebration or mourning. Some Soviet Republics did not celebrate 7 November this year, did not take a day off work, and basically did not acknowledge it as a national holiday. In Moscow alone, three factions announced separate actions for the morning of 7 November. The first, led by Gorbachev and made up of national officials and Moscow party committee members, favored the traditional military parade in Red Square as a brief celebration of the holiday. The second, led by Moscow Mayor Popov, felt that a celebration should not be held while the country was in such a state of chaos, that people should be given the day off work to prepare for the winter, and that a parade, troop review, and fireworks display would cost too much money, which should not be spent under existing conditions. While the third, led by Gdlyan, Kalugin, and Ivanov, firmly denied that this was a national holiday, and resolutely opposed any celebration. This set the stage for a day of great, tangled infighting. Moscow residents did not take to the streets to watch the festivities as they had previously on this day, with most people ordering their children to stay off the streets and at home, and some even solemnly awaited the sound of gunshots. Moreover, except for the young worker born in 1952 who fired two shots into the air at Leningrad's Red Square, there were no hostilities among the different factions, with each simply shouting their respective slogans and carrying their respective banners. It is said that Yeltsin was most responsible for the lack of hostilities among the various factions on that day. Taking the overall situation and Gorbachev's future prestige into account, Yeltsin stood firmly side by side with Gorbachev on the reviewing stand atop Lenin's tomb. But once the military parade was over, Yeltsin

quickly moved away from Gorbachev and the other national leaders to join the parade and demonstration by his constituents from the other two factions. No one mocked or censured Yeltsin for duplicity, but everyone felt instead that his actions were a pragmatic display of his concern for the country and the people.

#### **It Was Not the Minister of Defense Who Ordered the Troop Review in Red Square**

I heard a member of the Presidential Council say the day before yesterday that, "although President Gorbachev had planned to celebrate the festivities in a new way instead of holding the traditional military parade in Red Square, he changed his original intention only after Defense Minister Yazov urgently implored him to hold the military parade. Yazov told the President that not holding the traditional military parade would be too hard for the military to take and would damage the morale of the officers and men of the 3d Army." Gorbachev changed his original intention because he was well aware that, at that extremely delicate moment when the glint and flash of cold steel were appearing in all areas throughout the Soviet Union, if he could not keep the military under firm presidential control by making all factions within the Army march in local parades, the Soviet Union might immediately step onto the tragic stage of becoming another Lebanon.

While Gorbachev was ideologically prepared to accept all of the responsibility and criticism for the decision to hold the military parade in Red Square on 7 November 1990, it was precisely at this critical moment that his publicly acknowledged adversary, Yeltsin, stood up to stand side by side with him on the rostrum in Red Square. When Gorbachev said stirringly but remorsefully on the reviewing stand that "unity is vital to the very existence of the Soviet Union today," Yeltsin nodded repeatedly in agreement.

The very next day, all major newspapers and radio and TV stations throughout the Soviet Union emphasized ad infinitum that it was the president, not the minister of defense, who had ordered the military parade in Red Square on 7 November 1990, which implied that no explanation was necessary.

It has been predicted that unless a new union treaty that is acceptable to all republics and nationalities can be worked out quickly or, if control of the military is lost, and it joins up with local factions, or is used by politicians, the tragedy in the Soviet Union is likely to be a thousand times worse than that in Lebanon.

### **NORTHEAST ASIA**

#### **Mongolian President Ochirbat's Political Philosophy**

91CM0158A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 22, 11 Nov 90 p 18

[Article by Feng Yuqiang (7458 1937 1730) and Li Yong (2621 0516): "The First President of Mongolia—P. Ochirbat and His Policy"]

[Text] P. Ochirbat, a man in the prime of his life, was elected the first president of Mongolia at the First Session of the 12th Mongolian People's Great Hural on 3 September.

P. Ochirbat is 48 years old this year; he grew up in a herdsman's family. He had at one time served as Mongolian minister of the fuel, power, and mining industries and geology, and also as minister of foreign economic liaison and supply. In March of this year, he was elected chairman of the Presidium of the Mongolian People's Great Hural. In the very short time of only half a year thereafter, he rose to the position of state president, a man who originally "did not quite understand" what was going on in domestic and foreign affairs, and one who, according to the opposition party, "herded livestock and was otherwise a complete ignoramus," a rise that indeed attracted much attention.

Since the end of last year, the opposition parties, headed by the Democratic Union, stirred up a tempestuous movement for "democracy," which mainly emphasized antisocialism and orientation toward the West, and which had an extremely forceful impact on the political life of Mongolia. At a time when a variety of different political trends emerged, it was P. Ochirbat, who, after being chosen chairman of the Presidium of the People's Great Hural, repeatedly emphasized that "Mongolia will not relinquish socialism" and that "there is no one in present-day Mongolia who wants to move toward capitalism, and if there were, we would not allow it." He criticized the program of the Democratic Party for "coming closer to the program of a bourgeois party." At the time, he proposed to renovate socialist concepts and to enhance democratic developments in the political and social life of the country, proposals which he regarded as "something quite different from abandoning socialism." During the half year that he held the position of chairman of the Presidium of the People's Great Hural, he, together with G. Ochirbat [no relation], secretary general of the Mongolian People's Revolutionary Party, persisted, with a firm stand and a flexible strategy, on reforms in all political, economic, and ideological areas. He thereby ensured the stability of the country and won widespread acclaim within and outside of his party. The leader of the Democratic Union, Dzorig, after losing out in the election, could not but acknowledge that under the present conditions there was no alternative but to elect P. Ochirbat as president.

It is P. Ochirbat's opinion that, in order to implement stable legal norms in the life of a society, to guarantee freedom for its citizens, and to institute a democratic system where everyone manages his own affairs, it is necessary not only to ensure that the provisions of the Constitution, which prescribe the political, economic, and cultural rights of the citizens, are effectively applied, but also that the provisions of these laws have more of an international character and are more standardized. Whenever political parties and political organizations fight for the interests of their class or stratum of society, they should at all times give highest consideration to the

common interests of the Mongolian people as a whole, must respect human rights, and adhere to methods of dialogue and political consultation. With these purposes in mind, P. Ochirbat, immediately after assumption of office, readjusted the government structure, reduced the administrative departments, and reduced the chain of command in the state leadership and in economic management. At the same time, he promulgated a series of regulations and decrees for the maintenance of public order and dealt out severe punishment to economic and other criminals, so as to establish rule by law throughout the country.

While acknowledging the prerequisite of ensuring tranquility among the people and the unity of all ethnic groups, P. Ochirbat deepened the economic reform, and on the foundation of the economic reforms begun in 1987, he reasserted the primary position of the state-ownership system, but continued to promote the contract system and the contractual lease system, encouraged individual business operations, and energetically developed a plurality of economic components, such as the cooperative ownership system, collective ownership system, and the private ownership system. He integrated plan economy with market regulation, and thereby created a favorable condition for the speedy shift toward a system of state-regulated market economy and for continued improvements in the people's living standard. He particularly emphasized the need for the Mongolian people to achieve regeneration through their own efforts, to develop the economy, and to build up the state through the people's own arduous struggle. P. Ochirbat believed that since Mongolia is endowed with such advantages for economic development as a vast territory, abundant natural resources, and an exceptional animal husbandry industry, the country must fully exploit these advantages. At the same time he believes it necessary to strengthen economic contacts with other countries, to develop international cooperation on a large scale, to bring in foreign capital, and to import advanced technologies, equipment, and scientific management. In this way, he believed, it will be possible within a few years to develop the economy. During the time he held the post of chairman of the Presidium of the People's Great Hural, he had already made plans to reduce the plan-economy component and to gradually

expand individual ownership rights, introduce the competitive market mechanism, reform the banking system, and to eliminate unprofitable state-run enterprises. He had also formulated and promulgated the decree "Abrogation of All Quantitative Restrictions on Private Ownership of Livestock by Citizens" and the first Mongolian "Law Governing Foreign Investments."

P. Ochirbat proposed to carry on a completely open-ended diplomacy. He said, "Mongolia will in future pursue a policy of nonalignment. It will establish relations with all countries on the basis of peaceful coexistence, of cooperation among equals, of allowing every nation to choose independently its own way of development, and on the principle of respect for every country's sovereignty." The concept of an open-ended diplomacy contains the following three components: First, changing the former system of being limited to the countries of the Warsaw Pact and opening up to the outside world, with special emphasis on developing economic and trade relations with the capitalist countries. Second, strengthening relations with the countries of the Asian-Pacific region, assuming an active stance in the country's efforts to play a greater role in the Asian-Pacific region, particularly in the Northeast Asian region. In his presidential inaugural speech, P. Ochirbat restated that developing mutual cooperation in political, economic, trade, and cultural respects with every country of the world, especially with the countries of the Asian-Pacific region, is "absolutely consistent with the fundamental interests of the Mongolian people." Third, "the full development of relations with China and the Soviet Union is the primary task of Mongolian foreign policy." He emphasized that "there had been no advantage gained from the past practice of being on intimate terms with one neighboring country and keeping aloof from relations with the other neighboring country; on the contrary much was lost in acting that way." From now on, Mongolia will maintain an "equidistant diplomacy" with regard to the Soviet Union and China. P. Ochirbat was strongly attracted by China's reform, and it was for this reason that he first visited China after he was elected chairman of the Presidium of the Mongolian People's Great Hural. Later, he said quite unambiguously, aiming his remark particularly at reaction in the Soviet media and toward much veiled criticism at home: "We have no obligation to first visit the Soviet Union. Any idea that we should first visit the Soviet Union would be an expression of an obsolete way of thinking."



**Regulations Issued on Administrative Supervision***OW2512113290 Beijing XINHUA in English  
0808 GMT 25 Dec 90*

[Text] Beijing, December 25 (XINHUA)—China issued the administrative supervision rules, aiming at supervising officials and ensure a clean and efficient government.

The administrative supervision rules, the first of its kind since the founding of the People's Republic of China, empower the Ministry of Supervision and Local Supervisory Offices to oversee central government departments and their employees and provincial-level officials in local administrations.

Drafted by the Ministry of Supervision, the rules were approved last month by the State Council and signed by Premier Li Peng earlier this month.

The rules, which came into force yesterday, contain 51 articles in seven chapters, covering the nature, structure and jurisdiction of supervisory offices.

The rules stipulate procedures for supervisory organs to investigate corruption cases, and allow supervisory offices to inspect, with the co-operation of bank authorities, suspects' bank accounts.

The supervisory organs are vested in the power to suggest the temporary suspension from official duty of suspected serious law-breakers pending legal proceedings. They can impose disciplinary penalties such as warnings, demotions and confiscation of illegal gains.

When necessary, supervisory offices may ask police to help remove possible obstacles to investigation.

**NPC Standing Committee Deliberates Draft Laws***OW2512061290 Beijing Domestic Service in Mandarin  
2230 GMT 24 Dec 90*

[From "News and Press Review" program]

[Text] Members attending the 17th Standing Committee session of the Seventh National People's Congress [NPC] deliberated the draft amendment for the Civil Procedures Law. They pointed out that the Civil Procedures

Law is an important law of the country. It has been eight years now since it was put into trial operation in 1982. Now the time and conditons are ripe for supplementing and revising the law on the basis of summing up its trial operation experience. It is suggested that the draft be submitted to the Fourth Session of the Seventh NPC for examination after the current session of the Standing Committee examines and revises the law.

Some members of the Standing Committee said that the draft Civil Procedures Law was evised in a relatively satisfactory manner, covering a wide range of subjects with detailed clauses and subclauses. It is relatively complete now.

Some members of the Standing Committee held that the draft amendment of the Civil Procedures Law still was not revised in a comprehensive manner and certain articles are relatively vague.

Citing difficulties in entering a lawsuit, some members of the Standing Committee said that we must vigorously publicize the Civil Procedures Law amendment and promote education on legal knowledge on a permanent basis so as to enable the masses to understand the law and know how to enter a lawsuit according to the law after promulgation of the amendment. Besides, what is more important is that people's courts at various levels show concern for people's actual problems and offer legal consultations and help to the masses.

Members of the Standing Committee also started to deliberate the draft income tax law for foreign-invested enterprises and foreign enterprises yesterday. They pointed out that China's implementation of the policy of opening to the outside world in the past 10 years achieved significant results. Practice proved that the present principle and policy are correct. We must continue to firmly implement and constantly improve the policy.

Some members suggested that the draft National Emblem Law be adopted by the current session of the Standing Committee after deliberations. They are convinced that the correct use of the national emblem will be very helpful to strengthening the people's national consciousness.



## NATIONAL AFFAIRS, POLICY

### Paving Way for Development During Economic Reform

91CE0156A Chongqing GAIGE [REFORM] in Chinese  
No 5, 20 Sep 90 pp 72-79

[Article by Guo Shuqing (6753 2885 3237): "Economic Reform—Paving the Way for Development in the 1990's"]

[Excerpt] [passage omitted] China's economy is now experiencing a series of open conflicts between different mechanisms. For example: prices for a given commodity might be unregulated in Guangdong but fixed in Shanghai; some commodities, though subject to price setting, are sold freely by all sorts of enterprises and individuals; enterprises sell part of some commodities at planned prices and the rest at market prices; enterprises of the same category within a single industry occupy different positions and sell products under different conditions simply because they are under different systems of ownership, are under the jurisdiction of different government organs, or have different fiscal relationships with government; the same specialized bank is encouraged to pay attention to economic benefits (high profit gap and high profits) at the same time that they are requested to issue credit (they are asked not to use interest to pursue profits, and even not to consider whether principal can be returned); basic industries with monopoly privileges are, on the one hand, urged to create high profits (regardless of whether these industries are capable of taking advantage of the special strengths of monopoly) even at the same time that they are expected to expand (which, in effect, is asking them to weaken their monopoly position); local governments have been granted authority to carry out macroeconomic management, but they are encouraged at the same time to seek to maximize their own economic interests, etc. Early on in the reforms, the boundary between the sectors of the economy in which controls were lifted and in which controls were retained were clear, so conflicts were not as sharp as they are today. As commodity-currency relationships in the economy have developed, reform and readjustment of economic systems have not kept up with demand, and conflicts have grown steadily worse.

In addition to these open conflicts between different mechanisms, other areas in which there is a lack of coordination between different mechanisms exist beneath the surface. There is an extreme imbalance between the strong desire of enterprises (especially state-run enterprises) to pursue profit and their ability to bear risk. The wages of workers and staff are frequently out of proportion with the amount of labor performed, and there is sometimes no relationship at all. Those who carry out operations and management must on the one hand be completely responsible to the government and, on the other hand, completely responsible to workers and staff, so they will, on the one hand, seek to maximize profit

taxes even as they seek to maximize the income (including benefits) of their workers and staff. Government organs at every level are both macroeconomic managers as well as the agents of state-owned assets, but the standards of value and behavioral motivation of these two entities are completely different. This latter type of problem may be more difficult to solve than the former type, but two things are certain: 1) Eliminating open conflicts between different mechanisms is prerequisite if we are to overcome hidden areas where coordination is lacking. 2) If we are to overcome hidden areas where coordination is lacking, it is necessary that the system of state-owned assets be readjusted, but this is only one aspect of the issue, and may not even be the decisive aspect.

In spite of the existence of these problems, China's economy has not stagnated or collapsed. There are seven main reasons for this: 1) The Chinese market is large and enterprises are numerous, which facilitates the development of competition. 2) The comprehensive development of enterprises under different forms of ownership (especially the fact that there are more than ten million township enterprises and 20,000 foreign-invested enterprises) has presented a tremendous challenge to state-run enterprises. 3) The system of household economic operations in the countryside has spurred peasants to take control of their own economic operations and to take responsibility for their own profits and losses. 4) Foreign economic ties have steadily expanded, and foreign funds, technology, and market pressure are continually being injected into the domestic economy. 5) The Chinese people, as the main body of consumers, have exhibited relatively flexible demand, and their savings have rapidly increased, so the overall savings rate has maintained its upward momentum instead of falling as result of decreased enterprise and government savings. 6) State-run enterprises have all attained a certain consciousness of the need to make a profit on the market. Their tendency to rely completely on the government has undergone a relatively big change, and their tendency to rely on monopoly privileges and non-sales profits has met with opposition from consumers, resistance from other enterprises, and oversight by the government, so their internal inflationary mechanisms have been restrained. 7) A group of entrepreneurs with a modern outlook is maturing, and various types of advanced operational and management methods are continually being introduced from abroad.

Overall, China's economy is being commoditized and monetized at an extremely rapid pace, and its degree of dependence on the market has reached a high level. The compulsory state plan only covers about 17 percent of all industrial production, and if we factor in industrial production which is controlled by local governments, this figure will not exceed 30 percent, and industrial production may not account for more than 15 percent of all social production. The state plan allocates less than 12 percent of all investment funds, and if we factor in investment funds controlled by local governments, this

figure will not exceed 20 percent. To be sure, economic activities which are not directly subject to regulation by the state plan are not completely guided by the market; all sorts of irregular administrative interference and coordination exists. However, the power of the market, whether directly or indirectly, exerts a comprehensive and restrictive influence upon the economy. This is an undeniable phenomenon. This has led to two unhealthy results: 1) The structure (raw material allocation structure) is subjected to tendencies toward rationalization as well as irrationalization. For example, problems which existed in the traditional system (insufficient production of consumer goods, monotonous variety, and slow improvement of quality) have been greatly improved. At the same time, however, other problems (the weakness of basic industry, lack of economies of scale, and large technology gaps) continue to worsen. This type of industrial structure is apparently closely in step with the price and tax structures. 2) The establishment of the market is closely linked to the definition of the boundaries of various types of income, such as wages, profits, benefits, bonuses, interest, rents, and taxes, but this market is incomplete, and competition is neither equal, complete, nor thorough. Thus, overall price rises and unfair distribution of income is inevitable, and has become commonplace.

#### **The Task of Reform From the Standpoint of Development**

The 1990's will be a key period in the effort to raise China's economy from a low income level to a medium income level, and a decisive period in the effort to lay the foundation that will enable China's economy to catch up to the level of other modern world economies. Therefore, the rate of economic growth in the 1990's will affect the fate and future of China for a century.

Whether we achieve success in the 1990's depends first of all on whether resources are allocated in a manner consistent with the urgent need within Chinese economy to free up bottlenecks and hasten society's capital formation in advance of giving top priority to developing leading industries. We must concentrate our efforts on two areas as we reform economic structure. First, we must promote readjustment and reform of price and other economic parameters, eliminate the very serious obstacles which have arisen as a result of the existence of different systems of ownership as well as conflicts of interest between various departments and local governments, gradually bring order to market relationships, and strengthen the positive role of market signals in guiding the flow of resources at the same time that we reduce the negative role of market signals. Second, we must strengthen industrial policy and financial methods (the policy-based financial system), compensate for areas in which the market fails or is insufficient, and assure that basic industries (which enjoy relatively low prices but occupy an extremely important position in the development of a national economy) receive the necessary quantities of resources. These two aspects must be coordinated. In areas of the economy in which the

market parameters can perform effective guidance, we must resolutely refrain from interfering directly through policy. We should only interfere directly through policy in areas of the economy where market parameters provide weak or erroneous guidance. Only in this manner will we enable all parties to achieve optimum benefits, and only in this manner will industrial policy avoid becoming bloated. Only in this manner will industrial policy avoid the failure which results thereof.

In the 1990's, we need more than a rational structure of resource allocation; we also need to increase as much as possible the total amount of resources available for allocation. The reason for this is that we will inevitably have to raise the level of savings and accumulation if we are to achieve vigorous development of infrastructure and basic industry, if high-tech industries are to advance to a higher level, if rural industrialization is to progress further, and if processing industries are to be upgraded and reorganized. Although China's savings have already reached a high level (they amounted to about 34 percent of statistically recorded gross national product in 1989)<sup>2</sup>, there is still a lot of potential. For example, if urban residents had to take care of their own long-term consumption (most of which is now taken care of by various benefits provided by the state and enterprises), they would have an even stronger motivation for saving. At the same time, the short-term consumption of residents is now entering a trough. We should take advantage of this special opportunity. In order to raise and maintain the level of savings, we need to adopt the following policies and measures: 1) We should promote reforming the system of social insurance in publicly owned sectors, and establish a unified social insurance system. 2) We should launch comprehensive housing reform and establish a mechanism of housing savings. 3) We should deepen financial reform and provide society with more saving and investment instruments. 4) We should reform the system through which funds for university education are raised, and make students and their families pay a greater percentage. 5) We should reform the system of management of fiscal expenditures and firm up budgetary restrictions on administrative, industrial, and commercial work units. 6) We should establish a consumption tax system which covers all luxury items and, at the same time, eliminate price controls on these items. Some of the reform measures described here will require that workers and staff report higher levels of personal income (for example, benefits and subsidies will have to be switched from covert to overt income), but the total amount of increased savings which would result from these reforms would exceed the amount of increased reported personal income. More importantly, private savings would become more stable, and the scope of fluctuations caused by the impact of short-term factors would be greatly reduced. Consumer demand would be restrained, and inflationary pressures would be alleviated.

Economic growth in the 1990's will require that resources be used more efficiently than at any time in the

past. It is extremely important to our effort to raise efficiency that structure be rational from a macroeconomic standpoint. Given this prerequisite, raising microeconomic efficiency has its own independent importance. Improving microeconomic efficiency touches upon many aspects. The previously described reforms will create the necessary conditions for the formation of more efficient market competition. This is extremely important. At the same time, we need to further perfect government's system of market management (including legal oversight), and establish a system in which public opinion evaluates enterprise behavior and exerts a restraining influence. Apart from these aspects, reform of the enterprise system itself is the most important thing. There are four aspects to this reform: 1) We must implement reforms to clarify property rights representation. Taxes and profits must be separated, and property rights must gradually be made transferrable. We must make enterprise combinations, mergers, bankruptcies, and auctions become normal phenomena. 2) We must establish a unified system of unemployment insurance for workers and staff, and force enterprises to participate. 3) Most management personnel should no longer be appointed by responsible government organs; rather, they should enter a competitive market and be chosen and hired by the highest level policy making organs in an enterprise. 4) We must establish a new model of relationship between enterprises and workers and staff, and truly assure that enterprises have the authority to decide on questions of employment and wages.

Macroeconomic stability is even more needed in the 1990's. Although we should not make it our goal to completely eliminate inflation, it is necessary that we avoid excessively large fluctuations and accelerated inflation. In order to achieve this, four things must be done. 1) We must resolutely carry out reform of the fiscal and currency management systems. The government must take the lead by cutting expenditures, reducing the purchasing power of social groupings, and firming up budgetary restraints through reform of the current system of management through finance. We must gradually eliminate the practice of making up for fiscal deficits through overdrafts or disguised overdrafts from banks, strengthen unified control and management exercised by the People's Bank over credit, develop an open market operation and standard rediscount system, make interest rates reflect supply and demand for funds in a more sensitive manner, and play a more active role in macroeconomic regulation and control. 2) Banks must shift their preferred credit to long-term investment and use preferential loans for short-term operating funds only to support procurement of key agricultural and sideline products as well as foreign trade, while they force regular enterprises to use their own funds to meet increased needs for operating funds. 3) We must further reform and perfect the tax system. We must simplify the system and enable ourselves to deal with different situations with more sensitivity. We must achieve a fundamental breakthrough in reducing the problem of tax

evasion. 4) In coordination with the various policies outlined above, we must gradually increase the degree of openness and monetization of income, establish a new system of income control, and prevent the proportion of funds taken up by individual income from rising. In particular, we must prevent the income of workers and staff from further inflating in the form of social insurance and benefits. These reforms are extremely difficult, but we absolutely must not put them off.

#### Proposals for Reform During the Eighth Five-Year Plan

1. Unifying commodity markets is the primary task of reform during the Eighth Five-Year Plan. This will require that the following steps be taken:

1) We must fundamentally eliminate the dual track price system, eliminate differences between price formation mechanisms for given products or services from region to region, and reduce the scope of direct governmental price control over energy products and public services.

2) We must bring order to indirect taxes, simplify direct taxes, and fundamentally eliminate the tax distortions which have accompanied currently distorted prices. We must unify exchange taxes into two or three tax brackets, levy separate consumption taxes upon nonbasic consumer items, merge (as much as possible) the various income taxes which are levied upon enterprises under different systems of ownership, reduce price subsidies to the lowest possible level, and gradually reduce the loss subsidies paid to enterprises from year to year.

3) We must switch from a system in which each level of government is responsible for its own finances to the tax sharing system. In order to reduce fiscal instability and economic shocks, we could take current levels of local expenditures as our point of reference as we work to set the size of returns and subsidies that the central government should give to local governments. The goal would be to sever the link between the fiscal interests of local governments, on the one hand, and production and circulation, on the other.

4) We must strip managerial and operational functions from the commercial and materials departments of governments. Government organs which are responsible for trade and circulation must exercise different systems of oversight and management for different categories of commodities. Some would limit the objects of marketing and some would specify the work unit that is to carry out operations. Most products would be allowed to be traded freely.

5) We must establish a unified fair trade and anti-trust commission. The central government would set up branch organs or special agents at the local level in order to strengthen management and organization of the market carried out by industrial, commercial, and tax organs, thereby discouraging illegal activities which disrupt the market, such as cheating and hoarding.

6) The government must provide services to traders by supporting the establishment of national or regional futures markets for big-ticket raw materials, and by establishing a relatively sound information network on product prices and inventories.

Unification of commodity markets is the central link in price reform. The program of improvement and rectification which has been carried out since the fourth quarter of 1988 has created a rare favorable opportunity for reform, so we must move aggressively during the early part of the Eighth Five-Year Plan. We need to take the following steps:

1) We should free up all light industrial products which are still subject to control, including prices for state-subsidized products, and we should not give subsidies to consumers, either.

2) We should readjust prices for water, electricity, gas, and coal supplied to urban residents, and maintain government-set prices.

3) We should remove restrictions on procurement contract prices for grains and edible oils either all at once or in two stages, raise cotton procurement prices by a corresponding amount, set the amount of subsidies on the basis of current urban population or give subsidies of a certain percentage, continue state cotton procurement contracts, raise agricultural taxes, and implement price protection for agricultural products.

4) We should readjust rail and water freight rates, and implement state-controlled prices.

5) We should implement price ceilings for coal, unite prices for coal both within and outside of the state plan, and the state should specify what organs should deal in coal.

6) We should remove restrictions one step at a time on prices for raw and semi-finished materials for steel, nonferrous metals, and chemicals, and implement a "law on open sales."

7) We should readjust fees for mail, communications, and urban public transportation, and continue implementing state-set prices.

8) We should raise rents at least to the level where they offset costs, reform the housing system, further turn the real estate industry over to enterprises, and gradually privatize urban publicly owned housing.

2. We should, within certain limits, develop funds markets, taking the establishment of a dual track financial system as the main focus of our activities. This is another key aspect of reform during the Eighth Five-Year plan. It would be unrealistic to completely open up funds markets because commodity markets are not yet perfected and it would be difficult to free up interest rates at a single stroke. Even if these problems were resolved, it would not assure that basic industrial sectors, which have long-term limits on investment totals, would obtain

sufficient inputs of funds. However, it would also be impossible to rely solely on planned allocation of funds because fund sources have undergone a fundamental change. They are no longer composed primarily of fiscal funds. As savers, residents and enterprises would never allow the government to make uncompensated use of their funds, or to allocate them in whatever manner it felt proper. The term "dual track financial system" means that the financial system would be split in two. One track would be a financial system that is commercial in nature (relying on the market mechanism as its primary method of regulation), and the second would be a policy-based financial system (relying primarily on policy guidance as its method of regulation). This would appear to be a type of "dual track system" for funds, which causes worry that it could lead to the same negative effects that stemmed from the dual track system for commodities and prices. However, funds are not the same as commodities because, for one thing, funds generally pass from hand to hand in large sums, and for another, such transactions are well recorded, unlike transactions involving products outside the state plan, which are highly scattered and which often leave no paper trail. Of course, it is true that conflicts exist within the dual financial system, and loopholes could arise which would be taken advantage of for the purpose of speculation, but there would be many fewer problems associated with this system than with the dual track system for commodities, and it would be much easier to investigate irregularities.

The dual track financial system reform (i.e.—splitting a policy-based financial system from the commercial financial system) can be implemented in two ways:

1) We could split up currently existing specialized banks and establish several state development banks or investment banks, while the rest would become commercial banks. The Bank of China would serve as the state import/export bank. The six big investment companies would be converted into policy-based, bank-style investment companies, or;

2) We could temporarily refrain from splitting up any government agencies and distinguish, instead, between funds of different natures, establish a plan, and strengthen government oversight. Every sort of bank and financial institution would have a dual nature. The first plan could cause a bigger shock, but the second plan could easily plant the seeds for future troubles, because if these agencies are not split up, the two types of funds could easily become mixed together. The cost of oversight would be very high, and the results would not necessarily be very good. Previous experiences tell us that it is very difficult for a single financial institution to perform two conflicting functions at the same time. For this reason, we favor the first plan.

The main source of funds for a policy-based financial system would be infrastructure development appropriations from the state budget, state construction bonds or enterprise bonds, social insurance funds, and postal

savings. At this point, the three latter types of fund-raising methods are very underdeveloped. However, the urgent need to target investments and funds accommodations can no longer be put off; thus, at the same time that we aggressively develop these methods, we should consider making all specialized banks and other financial institutions which accept deposits turn over a specified percentage to the policy-based financial system, which would carry out unified allocation and utilization. It must be emphasized that the establishment and development of a policy-based financial system is particularly dependent upon reform of the social insurance system and the benefits system.

3. The third area connected with reform during the Eighth Five-Year Plan is reform of the wage and benefits systems, which is aimed at increasing the degree of openness, monetization, and regularity of wages and benefits. The goal of these reforms is to strengthen income controls and readjust distribution structure, and to create the necessary conditions for essential factors in inventory to circulate. The following are the main steps we should take to achieve this:

1) Cash and material goods now distributed by enterprises to workers and staff apart from wages should all be classified as wages and personal income.

2) In price reform, hidden subsidies that have turned into overt subsidies should be classified as wages.

3) After the housing system has been reformed, rent subsidies should be classified as wages.

4) In the reform of such benefits as senior citizen care and health care, hidden subsidies that have turned into overt subsidies should be counted as wages.

5) When a new wage system is established, the government must set comparable wages in different industries, and exercise control.

6) We must establish a unified system of social insurance in urban areas (it would include all types of employed people), and we should also establish a system of old age insurance in rural areas where the necessary conditions exist.

7) We should levy personal income taxes. The tax rates should be progressive, and we should only collect these taxes from individuals with a medium or high level of income.

The key facet here is reform of the social insurance and benefits systems. The following reforms are especially important:

1) We already have a lot of experience in reform of the housing system. What we need to study is concrete stages in the transition process. Perhaps this will require a process in which we switch from housing transfers "in name only" to "real transfers." One of the more nettlesome problems may be the question of whether workers and staff who live in private housing should be included

in the "raise rents, raise salaries" reform. If both of these reforms are carried out simultaneously, it would require that the state and enterprises take on additional responsibility; if they are not carried out simultaneously, there will still be problems in the future. We could take a census of all workers and staff living in private housing and determine how much of the building and maintenance expenses for these houses have come from public funds. Later, after unified pay raises are distributed, the work units of these individuals could deduct the necessary amount.

2) The most difficult aspect of raising funds for old age insurance and medical insurance concerns how to resolve the problem of outstanding debts owed by old state-run collective enterprises, because foreign-invested enterprises, township enterprises, newly built urban collective enterprises, privately run enterprises, and private entrepreneurs do not have the problem of large numbers of retirees. If insurance premiums for these workers and staff are still paid by the original enterprise, it would be a very heavy burden, and many enterprises would find it practically impossible to bear, but it would seem irrational to ask other new enterprises to share the burden, and it would probably not work. One method worth considering is to act in coordination with reform of the property rights system, shifting equity for some publicly-owned assets to the social insurance fund and treating it the same as investment insurance funds which have already been accumulated, thereby providing funds which would otherwise have come from fiscal appropriations and enterprise funds. In this manner, we would kill two birds with one stone, paving the way for establishment of a social insurance system at the same time that we create necessary conditions for clear transfer of property rights.

3) We must establish an unemployment insurance fund which is subject to unified management and allocated use exercised by labor and personnel departments. Enterprises and workers and staff would each pay a fixed percentage of the money needed for this fund.

4. There are several other issues which cannot be avoided during the eighth five-year plan the representative of property rights of state-run enterprises must be clearly identified, the transfer of property rights must be gradually opened up, inventories must be readjusted, and enterprise operating mechanisms must be changed. The currently implemented contract responsibility system and the responsibility system for the six major industries are forms which will unavoidably exist during the period of transition, but these are not rational systems which can be maintained without change indefinitely. This system is, in essence, a simple method of dealing with the complex relations in the commodity economy between the state, enterprises, workers and staff, and management personnel. It is composed of methods (one-on-one negotiation, and setting different rates for different firms) that we have been forced to adopt to correct distorted market relationships (prices, taxes, interest rates, exchange rates, etc.) and inequality

among enterprises. This form is apparently unable to handle such complex relationships, and we must search for new methods for solving the problem.

We might consider the following steps to gradually improve and revise the enterprise contracting and industry responsibility systems:

1) We must move in step with the aforementioned reforms and first carry out separation of taxes and profits, pre-tax repayment of loans, and after-tax contracting. We must expand the State Administration of State Property and increase its staffing, and form a national system. The contracting and responsibility systems should no longer be connected with fiscal and responsible industrial departments; rather, the State Administration of State Property should issue contracts, and fiscal departments should only be in charge of collecting taxes. The function of responsible departments should be changed to one of policy-based regulation and control, and they should provide management and services for industries. The State Administration of State Property could also transfer and hire cadres who were originally with the responsible departments, or could send out agents who would be responsible for coordinating and negotiating with enterprise contractors, as well as monitoring and collecting bonus funds (including the appropriation of subsidies), which would then be handed over to the state budget in a unified manner. We must provide a clear accounting of all fixed assets in state-run enterprises, and keep separate records of assets formed through state investments and those formed through enterprise investments. All state-run enterprises can combine or merge with any other enterprise. If it involves a merger that cuts across regional boundaries, property rights in each of the various regions will be determined by the State Administration of State Property. However, if an enterprise from locality A is merged into an enterprise in locality B, the enterprise from locality B must turn over a fixed sum of currency to the State Administration of State Property in locality A. The latter party would forward these funds to fiscal departments in locality A. The assets involved in such a transaction would be recorded as assets formed through the investment of the enterprise in locality B. If enterprises are willing to combine or merge, the government should not interfere in this process unless it threatens to lead to monopoly or hinder competition. This would be greatly beneficial to the formation of enterprise groups.

2) The following three methods should be adopted to readjust and reorganize state-owned assets: a) Industries which are monopolistic by nature, such as railroads, electricity, water, coal, petroleum, space flight, and nuclear industry, should continue to be state-owned, but we should separate government organs into those which specialize in oversight and management, and those which specialize in operations; the former would be government organs, and latter would be state-owned companies which would sign operations contracts with the State Administration of State Property. b) We should set up a shareholding system for regular competitive

industries and large- and medium-sized state-owned enterprises, thereby bringing about the formation of a new system of public ownership which does not involve ownership by the state. As for equity, some would be held mutually among various enterprises (we should determine the amount of stock to be owned by an individual enterprise on the basis of the amount of fixed assets or operating funds formed as a result of this enterprise's investments, but this stock must be traded; an enterprise may not hold its own stock). The rest of this equity would be sold by the State Administration of State Property to various institutions through out society. All income thus derived would become fiscal funds and industrial development funds, which is to say that it would become a new type of state-owned asset in the form of infrastructural and basic industrial assets. For all of these enterprises, we will adopt an operating method based on the shareholding system; we will not contract them out anymore. The board of directors of such enterprises could have nonstock holding members, and management personnel could also be allowed to serve as board members. c) Small state-owned enterprises could be sold to enterprises under every system of ownership and to individual entrepreneurs, including large- and medium-sized enterprises which have mixed shareholding in social institutions, cooperative enterprises, and foreign-invested enterprises. This would provide an effective vehicle for attracting foreign funds, and we could readjust industrial structure at the same time. Because the income from auctioning off small enterprises all reverts to the state investment fund, it becomes the fixed assets of other basic industrial departments. The total state-owned assets of small enterprises would not be reduced, and the leading position of the system of public ownership would not be changed.

5. The foreign trade and foreign economic relations system will still require a corresponding deepening of reform during the Eighth Five-Year plan. This is the fifth task to be achieved during the Eighth Five-Year plan, and it includes the following main points:

1) We should shift foreign trade contracting away from local governments and make enterprises the main participants in foreign trade. Local governments should cease foreign trade activities while enterprises participate in these activities in accordance with unified state policies, and they should submit to oversight and guidance exercised by central government foreign trade departments and their subsidiary organs.

2) We should determine profit retention ratios by industry instead of region. When enterprises convert foreign exchange, the Bank of China should deduct the state's share in a unified manner. When local governments intend to use foreign exchange, they should either apply to the central bank or buy it on the regulatory market; they should not requisition or arbitrarily transfer it from enterprises.

3) We should determine the number of export permits to be issued on the basis of the position and volume of

export products on the international market, and this work must be carried out with rigorous attention to regulations by the Ministry of Foreign Economic Relations and Trade. At the same time, we should organize various nonofficial and semi-official unified organs for coordinating within individual industries.

4) We should keep in step with domestic price and tax reforms as we continue efforts to readjust foreign exchange retention ratio disparities and establish a unified exchange rate (near the market exchange rate).

5) We should control imports, gradually decrease reliance on administrative methods, and afterwards gradually adjust tax rates downward.

6) We should adopt more flexible methods to attract foreign funds. For example, we should allow foreign firms to buy small Chinese enterprises, allow overseas Chinese and compatriots from Hong Kong and Taiwan to make uncompensated use of undeveloped land and water for specific periods of time to carry out economic development.

As for how to coordinate and implement these five areas of reform, further specialized research is required. In particular, the chronological order in which they are carried out presents many possible combinations, and this issue will also require specialized research. What we have outlined above is only the areas we must pursue and some content of the measures which need to be taken. If we do not achieve our goals completely during the Eighth Five-Year plan, we will have to continue working away at them during the Ninth Five-Year plan.

#### NOTES

1. There may be good reason for us to suspect that inflation has not been completely factored out of current statistics. However, we must be aware at the same time that current statistics also underestimate the gross national product. The most serious problem in this regard is the underestimation of service industries and the underground economy. A study of ours in which all these errors are taken into account suggests that the actual rate of economic growth may be faster than that indicated by current statistics.

2. Because current statistical indices seriously underestimate tertiary industry and also understate the size of part of the underground economy, the rate of savings has been overestimated to a corresponding degree. It is actually about five percentage points lower.

#### Economic Structure To Undergo New Adjustments

91P30057A Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 46,  
19 Nov 90 p 11

[Text] The state recently decided to make some new adjustments in certain aspects of the economic structure. It will appropriately strengthen macroeconomic control and take back large measures of important power.

Direct guidance will be implemented in tax and banking systems to greatly reduce local governments' authority to reduce or exempt taxes and to grant loans.

As for enterprise policy, the contract management system will continue. The contract base figure, however, will be raised in those enterprises that retain excessive profits.

Treatment of enterprises will also vary according to the different types of ownership. From now on, such key factors of production as capital, energy, and raw materials will be issued to large and medium-sized enterprises on a preferential basis.

Advanced reform experiments, such as opening up share markets and introducing housing reform, may continue but will be subject to stricter control in terms of scope.

#### CRES Presents Preliminary Enterprise Reform Plan

91P30057B Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 46,  
19 Nov 90 p 11

[Text] After widely soliciting opinions from a large number of people, the enterprise reform group of the State Commission for Restructuring the Economy [CRES] recently introduced the following preliminary plan regarding enterprise reform during the Eighth Five-Year Plan.

First, reform measures which have proven effective will be actively promoted after summing up experience, enhancing merits, and eliminating flaws. These mainly include the contract management system, the factory director responsibility system, the enterprise internal economic responsibility system, expanding enterprises' operational independence, promoting contracting, leasing, and mergers among enterprises, developing lateral economic ties and enterprise groups, and joint operations funded by multiple sources.

Second, we must create conditions for and appropriately expand those reform measures which have proven effective but are currently not being widely popularized. These mainly include bidding and contracting through open competition, optimizing labor groups, contracting with all employees assuming risks, enterprise bankruptcy, and auctioning small enterprises.

Third, we must actively review experience and continue to experiment with those reform measures at the trial stage, which mainly include separating tax payment from profit delivery, repaying loans after tax payment, contracting after tax payment, shareholding systems—both issuing shares internally within the enterprise as well as openly to the public at large, granting enterprises more operational independence, and maintaining separate capital accounts.

Fourth, under the condition of socialist public ownership, we must keenly explore more effective ways to



manage and operate state enterprises. It is especially important to increase the vitality of large enterprises, enhance their function as the main pillar, and make new breakthroughs in raising the international competitiveness for those enterprises in the coastal open cities.

The "Plan" also calls—after improvement and rectification are basically completed—for timely promotion of those reform measures which have undergone successful experimentation and then creation of favorable conditions for deepening enterprise reform during the Ninth Five-Year Plan.

## PROVINCIAL

### Shanghai Hosts More Overseas Tourists in 1990

OW0901050591 Beijing XINHUA in English  
0238 GMT 9 Jan 91

[Text] Shanghai, January 8 (XINHUA)—According to incomplete statistics, last year Shanghai received as many as 890,000 overseas tourists and earned a tourism income of 1.1 billion yuan.

From January to November last year the number of overseas tourists was 34.9 percent more than that of the previous year. Tourists from Taiwan and Southeast Asia were especially more numerous.

Director of the Shanghai Tourism Bureau Wang Naili said today that this is a great recovery from the sudden drop in the country's tourism industry in the second half of 1989.

A special report on Shanghai's tourism market states that, as one of the world's important tourism spots, the city has great development potential for the 1990s. And yet, the report warns, it is crucial for the city to exploit new tourism products and open up new programs so as to capture the booming tourism market.

Wang revealed that Shanghai's tourism departments are now undertaking a series of steps in a bid to achieve rapid progress in the next few years.

### Forecast for Shanghai Economy in 1991

OW0601150291 Beijing XINHUA in English  
1223 GMT 6 Jan 91

["Round-up: Prospects of Shanghai's Economy in 1991"—XINHUA headline]

[Text] Shanghai, January 6 (XINHUA)—When the bells rang in the new year, economic experts here were using the term "steady development" to describe the economic situation facing China's largest industrial city.

As the state has reduced interest rates and moderately relaxed loan restrictions, economic experts predict that industry in Shanghai will take a turn for the better this year.

However, as the state is not lifting restrictions on investment on fixed assets and working fund will be in short supply, it is unlikely that the market will have marked improvement.

Experts estimate that the city's total output value will increase by a modest four per cent, equal to last year's figure.

Yu Pinfang, chairman of the Shanghai Economic Committee, disclosed that profits for Shanghai's industries dropped substantially by 30 percent last year, a factor which seriously affected the city's financial revenue.

Yu said that this year Shanghai will make every effort to improve its economic situation.

A number of prosperous trades such as finance, communications, transportation, and posts and telecommunications, will continue to develop at a rapid rate.

Stimulated by reforms in the housing system, real property trade will most certainly develop at a quicker rate this year.

The new reform policy, which went into effect 1 January 1991, stipulates that foreign trade enterprises will have sole responsibility for their own profits or losses. This new policy will most likely promote Shanghai's foreign trade which recorded an average annual increase of 9.3 percent during the Seventh Five-Year Plan (1986-1990) period.

Gong Haocheng, Shanghai branch president of the Chinese People's Bank, announced recently that several foreign banks will be ratified to build branches in Shanghai.

The city, which has over three billion yuan (600 million U.S. dollars) in negotiable securities, is expected to have a booming business in stock and bond exchange this year.

The new Pudong Development Area will become the most important window in China's open policy during the 1990's. A city official said that the municipal government will concentrate its efforts in the new year on the preparatory work for a larger economic expansion of the area in the future.

## FINANCE, BANKING

### Bank Cadre Views Inflation, Economic Slump

91CE0164A Beijing JINGJI LILUN YU JINGJI  
GUANLI [ECONOMIC THEORY AND BUSINESS  
MANAGEMENT] in Chinese No 5, 28 Sep 90 pp 34-39

[Article by Chen Caihong (7115 1752 5725), cadre affiliated with the head office of the People's Construction Bank; Liu Xiaoyan (0491 2556 1750), responsible editor: "Inflation, the Economic Slump, and Ways To Control Them"]



[Excerpts] [passage omitted] I. "Circulation" or Inflation?

There has been a huge increase in the amount of cash currency put into circulation in China in recent years, particularly in 1988 when it actually reached 67.95 billion yuan. Putting such a huge amount of cash into circulation has aroused cries of alarm among theoretical circles and practicing departments, touching off a not inconsiderable discussion of the "external currency circulation" craze.

I would like to note that the term "external currency circulation" is unscientific not as to the word "external," but rather as to the word "circulation." When large amounts of cash take flight from banks and act as a medium of circulation, their constant change between commodity and labor value instead of returning to banks is not circulation, but rather real inflation!

In a two-level banking system, the central bank is the bank that issues the basic currency, which is then generally turned into the following specific forms to move into actual public circulation: 1) cash, which commercial banks pay to their depositors; 2) bank savings deposits, which are based in and acquired by commercial banks through business management activities, such as granting loans and attracting savings. Of these two forms of currency, it is only bank savings deposits that really circulate.

First, bank savings deposits are distinguished by their circulation within commercial banks. Our reference to circulation naturally means circulation from a starting point, through various links, and then back to the starting point. The money which the central bank relends to commercial banks becomes their initial deposits that are used to grant loans, which regenerate deposits that are then relended. As this "derivative" activity is always conducted within commercial banks, even though their initial deposits may be paid out repeatedly, they always return to the commercial bank.

Second, circulation of deposits between commercial banks and the central bank is real circulation. The contemporary two-level banking system, in which the central bank coexists with commercial banks, is particularly distinguished by the central bank being the legal holder of reserve fund deposits for commercial banks. This system is one in which the central bank recovers the currency that it issues. When all of the basic currency issued by the central bank becomes commercial bank deposits (i.e., none of it has slipped away as cash), savings and loan activities by commercial banks enable the central bank to recover all of the currency that it has issued. As the basic bank of issue, the central bank soon afterwards becomes the currency recovery point in the circulation cycle. This is another level of circulation.

The significance of these two kinds of bank savings deposit circulation lies in the limitations that they put on credit. As circulation within commercial banks provides the basis for the central bank to issue more currency

completely according to its reserve fund limitations, circulation between commercial banks and the central bank is ultimately realized through the laws of reserve funds. For instance, when the central bank issues 100 basic monetary units at a reserve fund rate of 10 percent, as they are completely a bank deposit form of currency which can circulate only within banks, credit expansion is limited and commercial banks can use a maximum credit of only 900 monetary units (1,000 minus 100). It is even more significant that the legal reserve fund rate can be adjusted by the central bank, which means that the central bank can make various flexible credit adjustments through a bank deposit form of currency circulation.

However, when the basic currency issued by the central bank circulates as cash, the following qualitative changes occur:

1. The cash that breaks away from the banking system is no longer subject to the laws of reserve fund bank deposits. It should be pointed out that changes in the central bank deposit reserve fund rate are absolutely independent from increases in cash as a means of credit.
2. As cash is subject to control by noncirculation lateral operations, its expansion as credit is unlimited.

However, experience has proved that under normal economic conditions, the amount of basic currency issued by the central bank that turns into currency in the form of cash, is fairly stable and does not cause credit expansion quickly for the following reasons: 1) people use the cash form of currency entirely for normal commodity-labor transaction needs, the normality of economic conditions determines the relative stability of commodity-labor transactions, and the frequency of cash transactions (i.e., the cash circulation rate) will not be too great within a specific period of time; 2) when economic conditions are normal, more cash than is needed immediately turns into bank savings or cash on hand waiting to be spent, and does not cause true credit expansion.

Cash problems usually occur under abnormal economic conditions, when the amount of cash currency increases quickly, circulates at a faster rate and, within a specific period of time, causes a huge amount of credit expansion, which is the way that true inflation occurs. As this increase in currency has a beginning but no end, fills up new transaction gaps time after time, and advances relentlessly without ever looking back, it accumulates an incalculable amount of credit without any circulation to speak of.

According to this analysis, the excess cash that has gone into circulation in China in recent years, absolutely cannot be considered as simply "external currency circulation," but is rather typical "cash currency and credit expansion." Such an assessment is certainly of key significance, in that it warns us to pay attention to both the two basically different existing forms that the basic currency issued by the central bank takes, as well as the

very adverse socioeconomic impact of excess cash in circulation, which must be prevented.

## II. What Caused China's Sharp Cash Currency Expansion?

It was caused by China's peculiar individual and social group consumption.

Economic reform has brought economic diversity and improved living standards. Not only has there been a great increase in personal income among the self-employed and those working in joint ventures, but even staff members and workers in ordinary enterprises and institutions as well as peasants have also experienced a certain increase in income. As China does not have an extensive investment market, and there is neither theoretical nor practical clear-cut acceptance of individual investment in industry (i.e., investment in fixed assets projects, such as building factories or running mines), these people with increased incomes are faced with the two options of either consumption or depositing their money in banks to earn interest. In addition, there are very few bond purchase options, and the ones that there are do not play a very important practical role in individual income usage. Thus, both anticipated increases in the prices of consumer goods, as well as the prospect of neither insured or increased value for bank savings deposits (even though these are psychological hallucinations), make people withdraw cash from banks, cause increased consumption, and touch off cash disasters. In which case, it can be concluded that it was the lack of an extensive individual investment market and diversified investment forms that created the possibility of cash currency expansion.

This stimulated a social mentality of anticipated price increases for consumer goods and no prospects for increased or protected value for bank savings deposits, which turned the possibility of currency expansion into a reality. This was entirely due to China's social group consumption activities, which can absolutely not be ignored.

The matter is even far more complex than this. Those who experienced 1988's inflation remember clearly that it was not only individual buying and selling of consumer goods that caused it, but also large amounts of enterprise and institutional business and investment. Why did enterprises and institutions also break free from banks to carry out direct transactions?

The issue was still one of high consumption. Due to the huge increase in social consumption kindled by social group consumption, and fired up by enormous enthusiasm, consumer goods manufacturers pushed their existing capabilities to the limit, while investing in and building many new ones. Bank loans were obviously the "primary motivating force" behind this expansion, whether it was the maximum use of existing production capabilities or the creation of new ones. This soon

caused a credit chain reaction, in which the more consumer demand was stimulated, the greater the motivation to expand consumer goods production capabilities, the greater the difficulties in satisfying bank loan demands, the greater the scope of credit, and the less secure the credit chain. In order to continue production, enterprises had to overcome banks refusals to make payments by turning the loans they were granted into savings deposits that they could control (i.e., "turning loans into savings"), withdrawing large amounts of cash, and making payments directly. This was how enterprises joined the army of cash businesses. [passage omitted]

Credit planning depends on economic growth, but increased savings and loans expanded credit even further. When enterprises were hit by high consumption which broke their credit chain, this huge amount of expanded credit in their hands turned almost magically into a strong demand for cash. For a time, there were complaints everywhere about cash shortages and the inadequate capacity to print notes, some bank branches had no money to pay out, and the demands put on the central bank by special banks were no longer for symbolic loans, but rather for tangible cash currency. As the central bank naturally could not tolerate the damage to bank image caused by special banks having no money to pay out, it was forced to issue large amounts of cash, which was like brewing a jug of bitter wine.

The basic cause of the appearance of large amounts of cash and enterprise involvement in its use, was the breaking of the enterprise credit chain. We were not surprisingly forced to ask how high consumption throughout society could have made the enterprise credit chain so fragile? In other words, why did high social consumption bring on a credit crisis and consequent runs on banks to withdraw cash by enterprises?

The cause was not hard to analyze and find. High consumption throughout society had stimulated production of and investment in production of consumer goods, which had imbalanced our production and investment structures. Our inadequate development in areas, such as basic industries and agriculture, had created natural obstacles to consumer goods sales, which had very quickly caused difficulties in producing certain consumer goods, overstocking of products, and breaking of the credit payment chain. Thus, high consumption was certainly an unhealthy economic activity, which had a very adverse impact on macroeconomic operations.

## III. The Price Paid for and Opportunities Presented by the Tight Money Policy

The increase in cash currency caused by high consumption undoubtedly created chaos in our socio-economic life, and the rapid increase in cash currency was accompanied by real high inflation. This naturally caused the policymaking sector to put into effect a macroeconomic policy of tightening credit and public finance in order to stabilize prices and markets.

As the tight money policy clearly put the knife to high consumption, and severely restrained social group consumption in particular, it was correct and necessary in order to curb inflation.

However, even though the established economic order and the growth momentum of various economic sectors were unable to withstand the sharp shock from the tightening of money, and the economic chaos was brought under control and temporarily eased by the abrupt economic brake, the causes of the chaos were certainly not eliminated completely, the economic situation was still displaying many disturbing difficulties, and it seemed that a very high price would have to be paid for the decision to curb the inflation caused by the increase in cash currency.

One of the costs of tight money was that the possibility of overall socioeconomic stagnation would make it harder to design and apply future macroeconomic policies.

The slowing and even zero or negative growth of inflation and economic development was accompanied by stagnation. The many steps taken in China to reduce the amount of cash in circulation also tightened overall credit, which broke many supply, production, and marketing credit chains. Consequently, while many enterprises' products were seriously overstocked and had become products that were "waiting to be realized," which was going to be very hard or unlikely on one hand, many other enterprises had idle production facilities and were operating under capacity due to a lack of orders on the other. Thus, stagnation sadly resulted.

First, the idling of production capacity caused by the credit crisis, had reduced social production and obviously slowed economic growth, which was seen most clearly throughout society.

Second, the marked change in the demand structure without a basic change in product sales mix, had left a discrepancy between the amount of social commodities that were waiting to be truly realized and the money supply, and was sustaining inflation.

Another problem that might be brought on by tight money was increased unemployment, which was a price that would be very hard for society to pay.

As to either the overstocking of products that enterprises had already produced, or the idling of enterprise production capacity, which were caused by the breaking of the credit chain, the ironclad rule was that some staff members and workers would be left with no work to do and unemployment would increase. Although it is very difficult to accurately calculate the unemployment rate in China because many industrial conditions, such as wage or other income reductions when work schedules are shortened, are unseen and not reported as increased unemployment, it is still predicted that continued full-scale tight money will put China's 1990 unemployment at a dangerous, high rate of 4 percent. [passage omitted]

Since such a high price had to be paid for it, does this mean that we should not have adopted the tight money policy?

In fact, the tight money policy did control the increase in cash currency and, even though it broke certain credit chains, it also presented opportunities for improved economic operations, the various costs of which can be seen from another perspective.

First, the overstocking of some products and the idling of some production capacity forced a change in the actual social production structure, which made it possible for fixed assets to be reorganized. Although some fixed assets had to be scrapped before their ordinary service life was over due to a certain inability to reorganize some kinds of them, it was still possible to reorganize either outright or through a certain amount of upgrading many, and even a very large percentage of them. From this perspective alone, tight money was absolutely necessary, and certainly played a driving role in the reorganization and replacement of social assets.

Second, there is a basic difference between inflation as inflation and inflation as cash currency expansion. As cash currency expansion, it is a completely destructive "galloping" type of inflation, but as inflation, it is guided by new market demand and plays a positive role in correcting the production structure. Restructuring of public consumption that conforms to laws (such as consumer patterns, customs, and traditions) is bound to restore the prestige of previously neglected sectors, and market forces in which demand exceeds supply turns these plans for structural adjustments into reality more quickly. As long as overall inflation is not very high, we should look at its positive aspect.

The material and market forces mandates to adjust the production structure, which were brought on by (short-term) stagnation, were still only one aspect of the new changes in production that were truly achieved. As far as manpower resources were concerned, the higher unemployment rate provided another condition for changing the actual industrial structure. Our long-standing system of permanent jobs had made it possible for existing enterprise organizations to increase their personnel, which was the primary obstacle to adjusting the industrial structure. Although personnel mobility had improved along with economic reform, the abnormally high consumption (social group consumption in particular) had put the production structure out of balance, and made the distribution of personnel uneven. Tight money enabled some enterprises to discharge some of their personnel, which indicated the appearance of a new distribution of personnel. As real production is always achieved by a combination of workers and capital goods, the new distribution of personnel, along with the reorganization and replacement of fixed assets, conformed to new market demand forces, and formed a new economic structure. [passage omitted]

#### IV. The Difficulties Involved in and Practical Options for Controlling China's Money Supply

[passage omitted] First, we have injected some "starter" loans into society, which was aimed at injecting funds to stimulate a series of interrelated production and circulation activities. Even though many of these starter funds are actually not playing a "starter" role because key links have not been controlled accurately, they are still generally playing a key role, and are certainly breaking certain social production and circulation chains.

Also, we have reduced interest rates. The economic growth experiences of various countries have proved that this is an effective way to loosen money. It is believed that in the coming months, our social production and circulation will begin to operate more smoothly, and our economic growth and enterprise operations will clearly improve.

However, it should also be seen that while injecting starter funds and reducing interest rates may be all well and good, they also increase the public money supply, which carries the danger of new inflation. From this perspective, our monetary policy should be characterized by fairly long-range "microadjustments" and, while tightening and loosening may be good, they should not be overdone. This should be our most sensible monetary policy option.

As China remains a cash society, the solution to our monetary problems will be found not in a simple choice between tightening or loosening money, but rather, based on our peculiar monetary problems, in putting our cash currency problem on the agenda.

Where should we begin?

First, we should establish and perfect fairly extensive individual investment arenas and channels, in order to enable individual income to be rationally distributed between consumption and accumulation, and to prevent the occurrence of cash withdrawals and high consumption due to anticipated price increases or doubts about the security or increased value of bank savings. China's current individual investment market is very imperfect in the following ways:

1. It has a single-purpose structure and very little investment variety. Current individual investment options are limited to a few bonds. Except for these, there are very few stocks, industrial and commercial investments are difficult to make because of too many restrictions, and the biggest use for individual, interest-bearing income is still only the one method of bank savings;
2. It lacks a sound secondary market, which leaves purchasers of long- and medium-term bonds only the one option of patiently waiting for the approach of the day when their capital will be repaid with interest. In comparison to bank savings, long- and medium-term bonds have many drawbacks. The very poor sales showing of those issued in 1990, such as key construction

bonds, fully illustrates this point. At the same time, bank savings have continued to increase.

Of course, it will certainly not be so easy to set up and perfect an individual investment market. Even though economic reforms have been underway for some years, we are still experiencing not only operating problems, but also quite a lot of ideological obstacles, in our attempt to establish and perfect an individual investment market. Although much theoretical discussion still needs to be carried out on the issue of whether the formation of private property and interest multiplication are actually exploitative or nonexploitative production relations, from the perspective of macroeconomic regulation and control of China's cash currency problems, the establishment and perfection of an individual investment market is still a key prerequisite for effective macroeconomic regulation and control of our money supply.

Second, we should resolve to curb social group consumption with a regulatory system that conforms to law.

Although most social group consumption is actually particular individual consumption instead of general group consumption, which should be called the most direct cause of cash currency expansion; just as with establishing and perfecting an individual investment market, curbing it will certainly not be so easy, and will involve the following difficulties:

1. Existing consumer momentum has created a complete set of systems, which will be very hard to change, and will involve a series of systems.
2. Past social group consumption has formed certain small vested interest groups, whose opposing instincts will naturally be aroused by attempts to curb social group consumption. Moreover, even though social group consumption is actually particular individual consumption, it is usually manifested in the particular forms of general or socially acknowledged equality, which is quite likely why small vested interest groups will oppose its being curbed. Even if it can be curbed, overcoming the opposition between those for and against its being curbed will obviously take time and a lot of resources.
3. As China's various macroeconomic control systems are still full of loopholes, curbing social group consumption may change the form, while not actually going to the root, of certain aspects of consumption.

However, social group consumption must be curbed despite the enormous difficulties involved. If it is not, as long as an individual investment market has not yet been widely established and perfected in China, cash currency expansion caused by social group consumption, which creates a lopsided social production structure and draws enterprises into cash transactions, is likely to occur constantly. Even after an individual investment market has been basically perfected, social group consumption will still have the adverse effects of causing individual

cash purchasing and propelling enterprises into the currents of cash transactions. Thus, in order to do a good job of improving China's economic environment and controlling our money supply in the coming years, it will be most important that we curb social group consumption.

## INDUSTRY

### Liaoning 5-Year Industrial Achievements Reported

SK1412040790 *Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 12 Dec 90*

[Summary] During the Seventh Five-Year Plan period, Liaoning Province has achieved faster economic development and has newly upgraded its technical standards. In 1989, the province's total industrial output value reached 109.2 billion yuan, a 52 percent increase over 1985. During the period, the yearly average increase in this regard has been 11 percent. The province prefilled from one to two years the industrial production targets set in the Seventh Five-Year Plan, including those of 43 major industrial products such as natural gas, power, diesel, soda ash, television sets, and household refrigerators. By the end of 1990, the province's output value of light industrial enterprises at or above the township level is expected to reach 28.7 billion yuan, a 36.9 percent increase over 1985; and that of heavy industry is expected to reach 62 billion yuan, a 36.8 percent increase over 1985.

During the period, the major technologies and equipment of one third of the key industrial enterprises across the province have reached or are very close to the world standards scored at the beginning of 1980's. By the end of 1989, the province had 160 industrial groups of various kinds with comprehensive functions. To date, 21 enterprises in the province have been labelled as national first-class enterprises and 220 as national second-class ones.

### Textile Industry Improves Product Quality

HK2212025290 *Beijing CHINA DAILY in English 22 Dec 90 p 2*

[By staff reporter An Weihong]

[Text] The textile industry's efforts to improve the quality of its products over the past year have been successful, according to Wu Wenying, Minister of Textile Industry.

Statistics Wu provided yesterday at a news conference show that in October 98.8 percent of the cotton yarn reached top-grade quality, a slight increase over last year.

In the same month, there were seven cities and provinces in which as much as 99 percent of the products met the established quality standards.

"Taking into consideration the slow improvement of the quality of cotton, our primary raw material, the small increase in the percentage has not been easy to achieve," Wu said.

The improved quality of the textiles being produced in China has been the major task of the industry since last year, and 1990 was designated by the Ministry of Textile Industry as the "Year of Textile Quality and Variety."

As part of the move to improve the quality of both production and products, a nationwide campaign for quality control was launched by the ministry earlier this year. This has effectively reduced the number of substandard products and impressed on the 8 million textile workers the importance of quality, Wu said.

A sample survey conducted by the State Technological Inspection Bureau recently showed that 92.5 percent of printed and dyed cloth produced this year reached industry standards, up 8.7 percent over last year.

## SMALL-SCALE ENTERPRISES

### Report on Township Enterprises in Eastern Provinces

91CE0193A *Beijing NONGMIN RIBAO in Chinese 9 Nov 90 p 2*

[Report on the Conference To Analyze Township Enterprise Growth in Seven East China Provinces and Cities During the First Half of 1990, by Xiang Yan (6763 6056): "There Are Still Bright Spots Amidst the Gloom"]

[Text] After more than a year of improvement and rectification, are township enterprises going to be able to overcome the serious difficulties that they are facing?

Is the ever-changing climate for township enterprise growth now cloudy or bright?

After being tempered by the crisis and fighting to grow steadily, in what direction should future efforts be made?

These questions, which township enterprise cadres, staff members, and workers throughout China have followed with such close interest, were earnestly explored by all of the participants at this conference to analyze township enterprise growth in seven east China provinces and cities during the first half of 1990.

### In Order To Make Up Deficits and Increase Surpluses, Not Only Must Township Enterprises Persevere in the Arduous Struggle, But Concerned Parties Throughout Society Should Also Help Out

In the course of exchanging and analyzing their experiences, the fact that made everyone feel far from unrealistically optimistic, was that the trend of decreasing efficiency had still not been basically reversed. Except for Shandong and Jiangxi provinces, the other provinces and cities had all experienced negative profit growth in the first half of 1990. Although the efficiency index was

also gradually picking up, it was still far from ideal. The major causes of this were traced to the market slump, the inability to rationalize certain economic relations, and poor internal management. The Jiangsu Province Township Enterprise Bureau reported that in the first half of 1990, it had overstocked products with an output value of 10.5 billion yuan, its triangular debt was still growing, having increased 33 percent over the same period in 1989 to reach 22.38 billion yuan, and some enterprises had formed an enterprise group, which was owed 3 million yuan by its key factory. It was reported that those who owe money act like "emperors," while those who are owed are like "slaves" whose begging is ignored. Yu Denghe [0060 4098 0735], deputy director of the Jiangsu province township enterprise bureau, gave a briefing on the steps that Jiangsu province has taken and is taking. He said that the provincial party committee and government have drafted and issued 20 new policies to increase production and revenue, are continuing to adjust the township enterprise structure, and are enhancing marketing and management techniques.

Some comrades reported that too heavy enterprise burdens are still the key cause of poor efficiency. In Jiangsu Province, a survey in Taicang County found that enterprises had as many as 272 separate burdens, the combined cost of which was 1.5 times their profits, while one in Wujin County found that civilian enterprises above the county level had as many as 83 separate burdens.

**Township Enterprises Will Strive To Gain Footholds in Both Domestic and International Markets, Broaden Their Horizons, and Take to the Waterways When Overland Routes Are Blocked; New Forces Suddenly Coming to the Fore in the 1990's**

What was most inspiring to the comrades who attended the conference, was the lead taken by township enterprises in increasing export earnings. The delivered export earnings value of township enterprises in the seven provinces and cities in the first half of 1990 reached 12.2 billion yuan, or 65 percent of the gross export value of township enterprises throughout China during this period. In comparison to the same period in 1989, delivered export value of township enterprises increased more than 40 percent in Jiangsu and Zhejiang, and more than 30 percent in Shanghai, Shandong, Fujian, and Anhui. In the city of Suzhou alone, delivered export value of township enterprises for the first half of 1990 reached 1.5 billion yuan, including over 1.1 billion yuan of direct exports, or 50 percent of those throughout Suzhou. Delivered export value of township enterprises in Wuxi County alone reached 319 million yuan, or 85.98 percent of the foreign trade turnover by industrial enterprises throughout Wuxi County. Under the new conditions, exports have given a new lease on life to China's boundlessly vigorous township enterprises, and have become a bold method that they are exploring to extricate themselves from their difficulties and search for new ways to expand. Wuxi comrades call this striving to make exports a new force suddenly coming to the fore, which will occur in the 1990's and is now just beginning.

Having given full consideration to their respective proximity to rivers and the sea, the seven provinces and cities feel that they must look for international market outlets, become more oriented to the outside world, look abroad for both raw materials and markets, and try to break into the international market. They are even prepared to pay the particular price for this of "losing money in the first year, coming out even in the second year, and finally earning profits only in the third year," by looking to the future and focusing on the long haul. With this in mind, provinces, such as Fujian and Jiangsu, have put into effect new policies that are specially aimed at increasing township enterprise export earnings. Fujian's export-earning enterprises increased by over 1,000, including more than 280 of the three kinds of foreign trade enterprises, in the first half of 1990. Shi Weizheng [2457 3634 2398], a researcher working for the Fujian Province Township Enterprise Bureau, reported that a prominent feature of these enterprises is the speed at which they spring up. They usually go into operation within six months; some building factories first, and others starting out in dilapidated temple fair buildings. This has influenced a great number of coastal townships to set up small industrial zones, from 40-50 mu up to 100 mu in size, to attract foreign investors to set up factories.

**In Order To Weather the Crisis, Township Enterprises Will Have To Persist in Going on the Offensive on Their Own Initiative, While Relying on Leadership Empowerment and Departmental Support**

Those attending the conference were most concerned about analyzing and predicting their prospects. Some authoritative sources predicted that it might still take about one and one-half years to climb out of the slump. Everyone also clearly recognized that township enterprises could absolutely not relax their will to fight, and had no choice but to fight furiously to overcome their difficulties.

The comrades attending the conference noted that a steady growth climate would remain essential to weathering the crisis successfully. Liu Peifang [0491 0160 5364], from the Shandong Township Enterprise Bureau, said that a key factor in Shandong Province's successive years of skyrocketing development was the steady intensity of its growth climate. As the Shandong party committee and government had clearly recognized that township enterprise growth was a vital new force in invigorating Shandong's economy, they had taken great care to nurture it, by putting one preferential policy after another into effect, and even having the provincial township enterprise bureau consider many issues directly. With such emphasis, how could they not have succeeded?

Looking back at the spasmodic history of township enterprise growth, although it has begun to acquire a good climate, e.g. it is as much as 100-billion-yuan value in Jiangsu Province, which accounts for "one-half" of Jiangsu's whole economy, it is after all, as some comrades so interestingly put it, "a commodity economy

with opportunity," which still needs leadership emphasis, preferential policies, departmental support, media encouragement, and a good growth climate.

Although it was not all good news that was reported at the conference, and even though the road ahead was not predicted to be absolutely smooth, the comrades who attended the conference firmly believed that time would eventually turn misunderstanding into understanding, smooth out the bumpy road into a broad avenue, evolve a good climate through rain and shine, and refine township enterprises into pure gold out of the blazing fires of their tribulations. The road may be tortuous, but the prospects are bright.

#### **Update on Gansu's Township Enterprises**

91CE0193B Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 30 Nov 90 p 1

[Report by Wang Yanyuan (3769 7159 0337): "Township Enterprises in Gansu Province Are Growing Steadily"]

[Text] When Gansu Province's township enterprises ran into growth difficulties, the provincial party committee and government emphasized improvement of the external environment, while better adjusting the industrial structure of township enterprises, which enabled township enterprises throughout Gansu to maintain a steady growth momentum. Through September 1990, their gross output value, gross income, and various tax payments had increased 13.88 percent, 16.44 percent, and 14.5 percent, respectively, while their overall labor productivity and per capita profits and taxes had increased 9.5 percent and 12 percent respectively over the same period in 1989. Qingyang Prefecture, Jinchang (Jinta) County, Tianshui Prefecture, Lanzhou City, and Jiuquan Prefecture had higher gross output value growth rates than the provincial average.

The improvement of the external environment ensured that the ideological slippage did not continue, and that production growth difficulties were overcome. Faced with particular growth difficulties, the provincial party committee and government promptly held various meetings, reaffirmed their "five constant" policy, and stabilized ideology, the ranks, and enterprises in the first half of 1990 alone, which enabled township enterprises to grow steadily. At the same time, they made specific demands on all provincial government departments and concerned parties throughout society. In order to meet these demands, sectors such as the planning commission, the material supplies bureau, banks, personnel, taxation, public finance, and environmental protection, specially issued many detailed provisions that were either new or further clarified existing ones, which were favorable to township enterprise growth. This created a good external environment for township enterprise growth in Gansu. First, the financial situation changed quickly. Even though money was tight and Gansu was experiencing financial difficulties in 1990, public finance still took

active steps to increase funds in various ways. The Gansu branch of the Agricultural Bank and provincial credit agencies invested 16.1 percent more funds in township enterprises (in the first half of 1990?) than they had in the same period in 1989. The Planning Commission and the Material Supplies Bureau appropriately increased their planned supplies to township enterprises. The Industry and Commerce Administrative Bureau suitably softened its terms in areas, such as enterprise registration and registered funds, scales of operation, management methods, and fee collection criteria. The Personnel Bureau made it clear that lower level leaders of departments in charge of township enterprises had to get the approval of one grade higher responsible departments for staff adjustments or leaves, and that those who had been key workers in township enterprises for many years would be included in future worker and cadre recruitment quotas, in order to resolve in a planned way the issue of peasants who shift to nonagricultural work or become official staff members and workers in state-owned enterprises.

"Year of Enterprise Management" activities were taken advantage to emphasize adjustment of the industrial structure. Gansu has already shut down 475 enterprises and merged 75 others. The tapping of potentials, upgrading, and improvement of economic efficiency by enterprises with good growth prospects, increased their industrial output rates, giving them an average GVIO [gross value of industrial output] growth rate of 16.7 percent, or 1.4 percent higher than the average gross output value growth rate. Linyong (Lintao) County shut down and merged some enterprises that had poor efficiency, and emphasized enhanced management and exercises in better internal management for existing enterprises. It also trained 5,020 key village managers, upgraded technology on 10 projects, and increased gross income and profits/taxes of township enterprises throughout the county (for the first half of 1990), 9.5 percent and 34.86 percent, respectively, over the same period in 1989.

#### **Heilongjiang Township Enterprises Develop Border Trade**

91CE0193C Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 28 Nov 90 p 1

[Article by Zhao Gong (6392 0361): "Township Enterprises in Heilongjiang Province Are Actively Developing Border Trade"]

[Text] The township enterprise management bureau in Heilongjiang province has encouraged its township enterprises to seize the opportune moment to make a breakthrough in Sino-Soviet border trade. In the last two years, clear progress has been made in areas, such as border trade turnover, economic and technical cooperation projects, and labor exports.

When Sino-Soviet border trade began anew in 1988, the township enterprise management bureau in Heilongjiang



province seized the opportunity to set up its first three border trade companies with the approval of the provincial government. These companies then established trade and economic-technical cooperation relations with over 30 companies in 16 Soviet prefectures and districts (cities). The three border trade companies established goods-supply and economic-technical cooperation relations with over 100 large- and medium-sized domestic enterprises and companies, which not only established a number of fairly stable export commodity bases and economic-technical cooperation companies, but also helped township enterprises to find new outlets and promoted their growth.

In the area of barter trade, 38 import-export contracts, with a trade turnover of 36.47 million Swiss francs, were signed with 22 Soviet companies. Chinese exports, such as silk and wool clothing, snow boots, and woolen sweaters, were very well received by the Soviets. Eighty percent of the goods imported from the Soviet Union, such as urea, ammonium sulfate, galvanized iron buckets, and wool overcoats, were marketed in Heilongjiang province.

In the area of economic and technical cooperation, seven contracts were signed with the Soviets, some with the approval of Heilongjiang province and MOFERT. For instance, active preparations are underway for projects, such as the "Harbin Restaurant" in Omsk, USSR, the "Color Enlargement Printing Company" in the City of New Siberia, a 200,000-pair-capacity embroidered shoes processing factory joint venture in Vladivostok, and the Soviet Lodi Automobile Maintenance Center joint venture in China. Other cooperative projects are in the process of being studied and demonstrated.

In the area of construction project contracting, contracts worth 112,200 Swiss francs have been signed with five Soviet companies. For instance, China has contracted with a pig farm cooperative in the Soviet coastal border region of Lesozavodsk to build a brickyard capable of making 4 million red bricks a year, which over 400 workers in five groups were sent to the Soviet Union to build in 1989, is over 80 percent finished, is expected to go into operation in 1990, and will earn over 3 million yuan for Chinese workers. In addition, preparations are also underway for construction projects, such as a multipurpose building for the Akala Cooperative in Vladivostok, a contracted 15,000-sq-m construction project in the City of Donetsk in the Ukraine, and a contracted project for the Kolyberovo District.

In the area of labor exports, three contracts and five agreements worth over 70 million Swiss francs have been signed with six Soviet companies. Contracts are now being fulfilled, such as a 40-hectare vegetable cultivation contract and a 40-hectare crop cultivation contract in Kalundadusky Village in Spassk, USSR, and a 45-hectare crop cultivation contract with the forestry bureau in Lyuchgorsk.

### Suzhou's Township Enterprises Upgraded

91CE0141A Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 5 Nov 90 p 1

[Article by Wang Shunqing (3769 7311 1987) and Gu Xian (7357 2009): "Suzhou's Township Enterprises Steadily Upgrading, Stressing the Present and the Long Term"]

[Text] Township enterprises in Suzhou Municipality, Jiangsu Province, have withstood tests in the midst of improvement and rectification. Currently their production has passed through a most difficult situation, and a gradual return of momentum has emerged. They have started to enter a new phase of "adjustment, improvement, and development."

At present, the output value of township enterprises in Suzhou accounts for 61 percent of the gross value of industrial output of the whole city. Goods from township enterprises account for 54 percent of all foreign trade goods procured by the municipality. Eighty percent of enterprises in the same trade are "three kinds of partially or wholly foreign-owned enterprises." At the beginning of this year, Suzhou's municipal party committee and municipal government stuck to the strategic thought of "stressing the present and the long term, and progressing steadily." Their focus was on such key measures as policy implementation, sales expansions in order to promote production, product structure adjustment, technological transformation, basic management, and foreign market exploration. Wujing County put the focus of readjustment on fully utilizing the county's superiorities. The city of Zhangjiagang simultaneously developed its basic management and technological transformation by emphasizing qualified accounting and qualified storage. The city of Changshu came up with the new idea of focusing on forming groups, intensification, economic results, and integrating city and countryside. Suzhou's Bureau of Township Industries also strengthened its concrete guidance and flexible services to grass-roots enterprises. Based on the real situation, and in the midst of deepening reform, many townships and towns in each municipality or county created and accumulated fresh experiences and promoted the development of production. By the end of September, the gross value of industrial output of Suzhou's township enterprises amounted to 20.4 billion yuan, an increase of 15.32 percent over the same period last year.

In order to enable township enterprises to steadily enter the new phase of "readjustment, improvement, and development," Suzhou's municipal party committee and municipal government invited experts to analyze the severe situation that township enterprises still face. They suggested that "facing reality, facing the market, facing the future, raising the degree of organization, and raising overall quality" should be the guiding principle for developing township enterprises for a relatively long period to come. The city emphasizes paying close attention to implementing adjustment measures and carrying



out improvement requirements in the enterprises. The city should also greatly develop the export-oriented economy, try to break through in the circulation area, and form a combined force to serve township enterprises. At the same time, the city has made clear stipulations. First, all departments that are responsible for township enterprises are the functional departments of governments at all levels that manage township enterprises. Thus they cannot be removed and reorganized at will. They should be well-structured, have clear responsibilities, and have sufficient staffs. Second, based on their respective functions, all economic, industrial and trade, and supervisory departments should treat township enterprises equally and without discrimination, bring township enterprises into their own spheres of duty, and provide services for township enterprises. The Planning Commission, the Economic Commission, and the Foreign Economic Relations and Trade Commission, as well as all offices (companies) in charge of industries, must clearly divide their work and responsibilities in order to provide all kinds of services for township enterprises. Third, there should be mutual respect, support and coordination between the departments that are responsible for township enterprises and the other departments.

At the recently concluded meeting on township industries, Suzhou's municipal party committee and municipal government again initiated a general mobilization. They required all concerned departments in Suzhou to organize their strength and provide a good policy environment and excellent service in order to promote the healthy development of township enterprises.

## CONSTRUCTION

### State Council Adviser Assesses Housing Reform

91CE0152A Beijing JINGJI RIBAO in Chinese  
16 Nov 90 p 3

[Article by Yang Lu (2799 7627) and Wang Yukun (3769 5148 3824), Economic, Technological, and Social Development and Research Center of the State Council: "The Key to Housing Reform Is To Change the Irrational Supply System"]

[Text] **China's Urban Housing Seems Sufficient as Far as the Total Amount Is Concerned, But a Structural Housing Overconsumption and a Structural Housing Shortage Exist Simultaneously**

China's urban housing distribution is unfair mainly between different units, not between different workers in the same unit.

China is a large, high-welfare state. Is it the central government that decides the distribution of such welfare? No, it is the organization, enterprise, and establishment to which one belongs. Almost all welfare items are distributed to residents through the link of their unit. So is housing. Whether or not a family can get a house and

how big a house it can get depend mainly on the investment ability of the unit to which the members of this family belong. In over 10 years of reform, enterprises and establishments gained more investment authority and ability, but the characteristic of soft budget restraint still remained. Under the precondition that the overall distribution relations (a distribution structure formed by prices, taxes, and financial resources) have not been straightened out, what concerns enterprises the most is how to increase the proportion of income for workers in their own unit. Since cash release is under fairly strict control, raising housing standards has thus become the main way for units to increase workers' income. Housing standards have been rising rapidly. In recent years, the floor space of a two-room housing unit in many localities has reached 65 square meters whereas the state's construction standard is 50 square meters. The excess 15 square meters of floor space exceeds the standard by 30 percent. This is one of the factors that prevent the alleviation of urban housing shortage in China. Due to the excessively high standards of a very large number of houses, housing facility may seem sufficient in terms of total number, but there is a shortage in reality.

In addition, the continuously growing proportion of young workers and the acceleration of urbanization process constitute another cause for housing problems in China.

These problems cannot be resolved by increasing investment and building more houses alone. Carrying out the reform of housing commercialization while reforming the housing supply system is the only way to solve the housing problems.

**Major Problems in Current Housing Reform Are, First, Lacking the Sense of Urgency and Confidence in Policy Making in Promoting the Housing Reform and, Second, Ignoring the Reform of Housing Supply System**

The housing reform indeed has many problems. To solve the low rent problem, we will have to face the issue of wage compensation which involves the readjustment of a distribution structure that covers many important aspects such as prices, taxes, and financial resources. Risks and problems in the readjustment of interest structure have slowed down the commercialization of housing. Because of this, although housing commercialization was proposed in 1979, only a few cities, including Yantai, have adopted limited reform measures.

Yantai's housing reform has produced positive effects. Before the reform, a two-room housing unit in Yantai generally had a floor space between 55 and 60 square meters. In a few enterprises, it reached 67 square meters. After the reform, the floor space of newly built two-room housing unit was reduced to 50 square meters, a saving of nearly 10 percent in the floor space of every unit. Yantai now builds 300,000 square meters of housing a year. If each unit can be reduced by 10 percent, there will be an extra of 30,000 square meters of housing a year, equivalent to 600 additional units. This shows that the

housing reform directly restricts the overconsumption of housing while increasing the housing supply. If Yantai's housing reform is carried out throughout the country, housing supply may be increased by 200,000 units, equivalent to 6 to 9 billion yuan in renminbi (Each year urban areas throughout the country build over 100 million square meters of new housing. A 10 percent saving of this is equivalent to 10 million square meters. If each unit is 50 square meters, there will be 200,000 units. If calculated according to the building cost of 600 to 900 yuan per square meter including accessories to infrastructure, there will be 6 to 9 billion yuan. If calculated according to the building price of 300 yuan per square meters, there will be 3 billion yuan.) Yantai's example shows that restricting the overconsumption of housing, increasing housing supply, and alleviating the unfairness of housing distribution form an organic whole, and are the direct results of the housing reform.

As a matter of fact, Yantai's housing reform measures are fairly limited. Yantai's program mainly includes the following contents: Using the average living space of the city as the standard space, raising rent, giving housing subsidies, issuing housing certificates to those who live in substandard housing and stipulating that such certificates be deposited in housing banks, and having residents pay high rents for the space above the standard; raising rent to 1.28 yuan per square meter; and utilizing financial mechanism to regulate the sources of funds for certificate compensation. In a certain sense, these measures are nothing more than raising rent for above-standard space. Yantai's reform not only did not cost the treasury any money but helped it make money. According to the estimates of comrades in the Ministry of Finance, if Yantai's reform program is carried out throughout the country, the state treasury may have a surplus of 3 billion yuan. According to our estimates, in recent years the scale of China's urban housing subsidy increased at the rate of over 10 billion yuan a year. The housing subsidy was 58 billion yuan in 1988. If the housing reform is put off for another five or six years, the scale of annual housing subsidy will double again, and so will the difficulty of system change. Because of this, limited reform measures such as drastically raising rent for above-standard housing should be quickly adopted on a national scale. On no account should this be put off any longer!

China's urban housing problem is caused simultaneously by the low-rent policy and the enterprise's housing supply system. It is very difficult to make any substantive progress by stressing only the rent reform. Yantai's first step in the reform did not touch on the housing supply system. As a result, it is very easy for enterprises to form a united front with their workers, thus reducing rent income. One of the motives for the housing reform is to take money out of residents and use it for housing construction, maintenance, and repair. This goal has not been achieved in Yantai. Before the reform, Yantai collected 2.5 million yuan of rent money from residents a year. After the reform, it collects 38.02 million yuan of

rent a year. Since 37.17 million yuan is used to buy and issue housing certificates, residents actually pay only 850,000 yuan in rent. As a result, Yantai now collects 1.65 million yuan less rent as compared to that before the reform. Because the reform of housing supply system is ignored, new housing system cannot even begin to grow. Many enterprises and residents in Yantai have begun to doubt the meaning of the housing reform. We have exchanged views with comrades in Yantai. If the reform of housing supply system is not unfolded in time, it will be very difficult for Yantai to maintain its achievement in the housing reform—a lower standard of living space.

### **Proposals for Changing the Irrational Housing Supply System**

The basic trend of thought is to practice the socialized and business management of housing, separate housing investment from enterprise funds, form a certain form of housing companies, and, in accordance with the principle of equal-value exchange, lease and sell houses to residents through mortgage agreements in a unified manner.

Housing companies may adopt the form of share-holding system consisting of government, enterprise, and individual shares. During the period of low-interest and guaranteed-capital operation, enterprise and government shares will dominate.

Enterprise shares consist mainly of two parts: First, enterprises' existing house property may be converted into the old shares of housing companies at a discounted replacement price, and housing companies will be responsible for protecting the rights of existing residents. Second, enterprises' new housing investment may be considered as new shares, and enterprises may enjoy priority in the distribution of new houses according to the proportion of their new shares.

Government shares consist mainly of three parts: First, existing house property may be converted into old shares at a discounted price. Second, new government housing investment and appropriation for maintenance and repair may be considered as new shares. Third, differential income derived from real estate development and management by housing companies should also be considered as new shares. The government should assume the responsibility of organizing and coordinating housing companies during their initial founding period.

Individual shares refer to housing investment made by residents with housing savings and other money.

Housing companies may operate on loans from financial organizations at home and abroad and implement the principle of equal-value exchange. In the near future, they may also implement the principle of no tax, low interest, and guaranteed principal. Housing companies concentrate mainly on the management of housing, but they can also engage in real estate development and management and use "development and management"

to support "the management of housing." Housing companies may lease and sell commercial housing to residents based on a mortgage agreement. Since the rent reform cannot yet achieve the goal of commercializing rent, the rent level may be determined according to the degree of commercialization of housing during the lease of a house. But in the case of the sale of a house, we should insist on selling to the resident at the standard price through the method of mortgage loan. The permanent standing committee of housing company should set housing construction standards and lease and sales prices and enforce them after they are approved by the government.

After the establishment of housing companies, enterprises will no longer make direct housing investment. Instead, they will buy shares from housing companies with an appropriate amount of housing investment. This will separate housing investment from enterprises' production funds and stop enterprises from blindly raising housing construction standards, thus effectively restricting the continuous expansion of excessive housing consumption and creating conditions for commercializing housing management in an all-round way.

## FOREIGN TRADE, INVESTMENT

### Methods To Attract Foreign Capital to Shanghai

91CE0140A Shanghai JIEFANG RIBAO in Chinese  
5 Nov 90 p 5

[Article by Wang Huaqing (3769 5478 1987): "How Can Shanghai Attract Even More Foreign Capital in the 1990's? Equity Share Investment: A New Way To Attract Foreign Capital"; the first paragraph is a source-supplied introduction]

[Text] *Equity share investment is investment in securities, which is one way to attract direct foreign investment. This should become a way to introduce foreign capital into Shanghai. Specifically, equity share investment entails the following: First, after the existing joint ventures are converted to shareholding enterprises, they can issue stocks abroad. Shares may be purchased by institutional investors at home or abroad. Such institutional investment will be in the form of a "state fund." Shanghai could set up a kind of state fund called "Shanghai Fund" which would invest exclusively in the three kinds of wholly or partially foreign-owned enterprises, state-run enterprises, collective enterprises, and in Pudong's infrastructure. This fund could be offered to out-of-town institutional and individual investors. Second, foreign investors may purchase stock directly in Shanghai.*

There will be a dramatic change in the flow of foreign capital in the 1990's. Faced with new opportunities and serious challenges in attracting and utilizing foreign capital, what should Shanghai do in order to attract even more foreign investment? This is an important question which not only concerns how Shanghai will be utilizing its foreign capital in the 1990's but also affects the

development and opening of Pudong as well as the economic development of the entire Puxi area. It is our opinion that Shanghai's foreign capital utilization strategy should be as follows: With respect to directly invested foreign capital, Shanghai should make securities investment, otherwise known as equity share investment, its new approach to introducing foreign capital. With respect to indirectly invested foreign capital, Shanghai should seek as far as possible out of the foreign capital which the state has borrowed centrally and which must be repaid locally.

In the decade since reform began, direct investment made this country has been mostly in the form of joint ventures, contractual joint ventures, and wholly foreign-owned enterprises. Such arrangements have been very successful in China's coastal open cities. Entering the 1990's, in order to attract direct foreign investments, Shanghai should vigorously develop the three forms of wholly and partially foreign-owned enterprises, and at the same time, it should take a new approach, that is, making use of securities investments to attract even more direct foreign capital. This approach is very popular in the well-developed countries. Southeast Asia and other developing countries and regions have also taken this approach to achieve their goal of attracting more foreign capital. It is our opinion that Shanghai no doubt can also make use of securities investment to develop and open up Pudong. It not only will help attract even more foreign capital, but, more importantly, securities investment can give the impression that "things are better over here" and thereby optimize the investment environment. Securities investment resembles other international practices more closely and has greater need for all sorts of rules and regulations to make it work. To the foreign investors, it is less risky and is therefore a more attractive form of investment. By using the securities form of equity investment to attract foreign capital, we can develop many Sino-foreign shareholding companies (joint ventures) in the Pudong area, and in turn establish a new economic operational mechanism there in a relatively short time.

Equity share investment may be accomplished in the following ways: One, after the existing joint ventures are converted to shareholding enterprises, they can issue stocks outside Shanghai. State-run enterprises can do the same thing and issue shares abroad. Stocks issued by these two types of enterprises may be purchased by institutional investors at home or abroad. This kind of institutional investment will take the form of a "state fund." State funds are funds that are closed to all but international investors. Such funds have undergone rapid growth in Southeast Asia and other developing countries and regions. For example, Indonesia set up seven such funds in 1989, and South America and some Eastern European countries offer similar funds. Shanghai can offer a kind of state fund which invests exclusively in the three kinds of wholly and partially foreign-owned enterprises, state-run and collective enterprises, and in Pudong's infrastructure. Such a fund could

be named "Shanghai Fund" and could be offered to out-of-town institutional and individual investors. The "Fund" could be managed jointly by foreign investors and Shanghai's own fund management company, and its shares can be listed abroad. Capital raised by shares issued should be reinvested by the "Fund" in stocks issued by various enterprises or infrastructure projects. Enterprises that issue stocks should pay annual dividends to the "Fund" and the "Fund" could redistribute the dividends to its investors. Two, foreign investors may purchase stock directly. This would mainly involve large projects and companies. For example, foreign companies and institutional investors could invest directly in port facilities, airports, and large shareholding companies, and moreover in their management.

Several policy-oriented issues must be resolved if Shanghai is to make equity share investment a new approach to attracting direct foreign investment: One, it must draw up and approve promptly relevant rules and regulations pertaining to shareholding enterprises and foreign-invested companies. Two, it must stipulate explicitly that enterprises with more than 25 percent foreign-owned shares will be treated as, and will enjoy the same privileges as, Sino-foreign joint ventures. Three, stocks sold abroad should be priced at regulation price, and similarly, dividends remitted abroad should also be calculated at regulation price.

There are three main sources of indirectly-invested foreign capital: One, preferential loans extended by international financial organizations; two, preferential government loans; three, commercial bank loans. The localities' foreign debts consist mainly of money borrowed centrally by the state but which the localities must repay, as well as money they borrowed and must repay on their own. In the former case, Shanghai does not directly negotiate loans with the World Bank or other international financial organizations; instead, the state redirects the funds it has borrowed from international financial organizations or foreign governments, and in some cases, the Bank of China's Shanghai branch and the Investment Bank may redirect the foreign loans their headquarters have taken out and lend the foreign funds to various Shanghai enterprises. In the case of locally borrowed, locally repaid loans, Shanghai's banks responsible for raising money abroad not only must gather overseas funds directly but are also responsible for repaying those foreign exchange loans.

Funds borrowed by the state and repaid by the localities may be preferential loans extended by international financial organizations or foreign governments or they may be foreign loans raised by the headquarters of the Bank of China and the Investment Bank. They are allocated to Shanghai by the state and are in turn managed, utilized, and repaid by Shanghai. Because these loans are long-term, relatively low-interest loans, considering Shanghai's formidable tasks in developing Pudong and transforming Puxi, and in view of the relatively low percentage of centrally borrowed, locally repaid loans in the balance of its foreign debts, Shanghai

should try to get as much of this type of loan from the state as possible. This should be an important part of Shanghai's strategy in utilizing indirect foreign-invested capital in the 1990's. Specifically, relevant departments of the state (including the headquarters of the Bank of China and the Investment Bank) should man offices in Pudong, and whenever there are suitable preferential loans made available by international financial organizations and foreign governments or other types of centrally obtained foreign loans, they should give full consideration to Pudong's development needs. Meanwhile, Shanghai should also work closely with relevant departments of the state and make use of these loans in a positive and effective way.

Loans the localities obtain and must repay on their own are provided mainly by foreign banks and other financial institutions. Primarily, they are obtained by Shanghai's financial institutions, which then redirect the loans to relevant departments and enterprises in the municipality. Such loans are subject to direct international financial market risks and pressure, and in utilizing these loans, Shanghai must pay attention to the following points: One, with respect to their usage, because commercial loans are short-term and the interest rates are relatively high, they should be reserved for projects with short turnaround time and which generate quick results. Thus, we should adopt the "94 special project" formula, that is, tie the infrastructure to the foreign exchange-earning enterprises when utilizing these loan funds. Two, when gathering funds in the international financial market, we should try our best to let the reputable financial institutions, institutions well-known in international financial circles, make the deals. Three, it should be stipulated that foreign-owned banks must provide funds to finance a certain number of projects each year. Four, the existing rule that requires banks to be responsible for specific projects should be revised; we can set up some multiparty loans.

Whether we are talking about attracting direct or indirect foreign investments, there is always the issue of matching RMB investment. According to a relevant department's estimates, every dollar in direct investment Shanghai's foreign-invested industrial projects bring in requires an average of 2.8 yuan in matching RMB investment. Similarly, foreign loans also require substantial matching RMB funds. In view of the tight supply of RMB funds today, funds needed to develop Pudong, the scope of current fund loans, and the quota of fixed asset loans should be listed separately, and the quota of foreign exchange-backed RMB loans for Pudong should be increased. In addition, national and provincial-level trust and investment companies and regional banks should be permitted to open branch offices in Pudong. On the one hand, we should give play to these financial institutions' financial capabilities, and on the other hand, we should require that they bring their expertise and a certain amount of operating funds to Pudong so as to increase the Pudong Development Zone's fund supply.

### Legal Status of Foreign Trade Agents

91CE0161A Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
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[Article by Liang Renjie (2733 0088 3381): "On the Legal Status of Foreign Trade Agent System in China"]

[Text] The basic principle of foreign trade structural reform established at the "13th Party Congress" is "assuming sole responsibility for profits and losses, carrying out open operations, integrating industry with trade, and implementing the agent system." Companies authorized to engage in foreign trade have already begun to handle the import of goods and technology transfer on behalf of others. Currently the key is to vigorously and steadily promote the export agent system. The export agent system is different from the foreign trade procurement system and enterprises' self-managed export system. Under the current situation of foreign trade development, it can help domestic manufacturers expand exports and earn more foreign exchange. It can also help entering in international market competition, developing the advantage of integrating industry with trade and agriculture with trade, and reducing state financial subsidies. Implementing the agent system is an important content of the reform of foreign trade system.

The concrete ways of implementing the foreign trade agent system in China are as follows:

In import: The main practice is that when a foreign trade company has a request from a domestic user, it will sign an import contract with a foreign seller in the name of the company. Then it will go through import procedures on behalf of the user and collect a certain amount of service charge. Since the foreign trade company signs the contract with the foreign seller in the capacity of a buyer, not an agent, it assumes full responsibility for the import contract. If the foreign seller fails to deliver goods on time or if there is any problem with the quantity and quality of the delivery, the foreign trade company will be the only one that can negotiate with the foreign seller because the domestic user is not an interested party nor represented by an agent. Conversely, if the domestic user fails to pay on time, as the buyer in the import contract, the foreign trade company should of course pay the foreign seller the full amount of payment.

In export: When a foreign trade company has a request from a domestic supplier, it will sign an export contract with a foreign buyer in the name of the company and collect a certain amount of commission. As the seller in the contract, the foreign trade company should assume full responsibility for the contract. Even if the domestic supplier breaks the contract by failing to supply goods on time in the specified quantity and quality, the foreign trade company will still be held liable for damage. The foreign buyer generally will not go beyond the party of foreign trade company in the contract to demand compensation directly from the domestic supplier. Conversely, if the foreign buyer fails to pay on time, as the

seller, the foreign trade company will be the only one that can come out to negotiate and collect the payment.

According to international theory on the agent system, an agent signs a contract with a third party on behalf of a consignor. The agent relation involves inevitably two contracts and three kinds of relation. One contract is a consignment contract between the consignor and the agent. The other is signed by the agent with the third party on behalf of the consignor. One relation is between the consignor and the agent. Another is between the agent and the third party. The last one is between the third party and the consignor. In these relatively independent but interrelated relations, clarifying the legal status and responsibilities of the agent is an issue of great importance.

Stipulations of continental laws are different from those of British and U.S. laws on the legal status of agent, especially on whether or not the agent should be held legally responsible for the contract it signed with the third party.

Continental laws divide agents into direct and indirect agents. A direct agent refers to an agent who signs a contract with the third party in the name of the consignor. The effect of such a contract can be felt directly by the consignor. In other words, the agent reveals his agent status during the signing of contract with the third party. The interested parties of such a contract are the consignor and the third party. The consignor is directly responsible for the contract. The agent does not have any right or obligation in the contract. An indirect agent refers to an agent who plans for the consignor and signs a contract with a third party in his own name. In other words, although he is acting on behalf of the consignor, the agent does not reveal his status as an agent when he signs the contract with the third party. Instead, he signs the contract with the third party in his own name. All rights and obligations go to the agent. The agent is responsible for the contract.

The British and U.S. legal system is different from the continental legal system. It does not have the concepts of direct and indirect agents. Whether or not an agent should assume legal responsibility for the contract he signed with a third party depends mainly on whether he revealed his agent status, whether he told the third party who he represented, or whether the relation of agent existed when he signed the contract with the third party. In other words, it uses the so-called obligation standard. There are three different types of agents according to their obligations:

1) Open representation. This means that when signing a contract with a third party, an agent reveals not only his own agent status but also the name of the person he represents. The consignor is directly responsible for such a contract. 2) Hidden representation. This means that when signing a contract with a third party, an agent reveals to the third party only his agent status but not the name of the person he represents. The consignor is still

directly responsible for such a contract. The agent is not responsible for the contract. 3) An agent does not reveal the existence of agent relation. Namely, when signing a contract with a third party, the agent neither reveals his agent status nor reveals the name of the person he represents. Such a contract should be considered as one signed by the agent himself with the third party. Unless the agent has transferred all rights and obligations to the consignor, the agent generally should be held directly responsible for such a contract. Chinese laws on agent can be found in the "General Rules of Civil Law." According to the stipulations of the "General Rules of Civil Law," Chinese citizens and legal persons may carry out civil legal activities through agents. An agent carries out civil legal activities in the name of the consignor within the power of attorney. The consignor assumes civil responsibility for the action of his agent. This shows that the agent specified in China's law has the following main characteristics: 1) the agent must carry out activities in the name of the person he represents; 2) the agent must carry out civil activities within the power of attorney given to him by the person he represents; 3) the consignor assumes civil responsibility for the action of his agent. This means that if an agent exercises the power of attorney and signs some contracts with a third party in the name of his consignor, the rights and obligations of these contracts go to the consignor and the consignor should be held directly responsible for such contracts. The agent is not responsible for such contracts. This is the only rule concerning the agent system in the existing law of China. This rule is basically the same as the stipulation of open representation in the British and U.S. legal system and that of direct agent in the continental legal system.

Apparently, the agent system specified in the "General Rules of Civil Law" of China is different from the actual practice of Chinese foreign trade companies in foreign trade agent operations. When acting as import and export agents, Chinese foreign trade companies sign contracts with foreign businessmen in the name of their own company instead of their consignors. This makes them an interested party (buyer or seller) of the contract. Because of this, all rights and obligations of the contract belong to foreign trade companies, not their consignors (namely the persons they represent). As a result, foreign trade companies, not their consignors (suppliers or users), should assume legal responsibility for the contract.

This shows that the foreign trade agent system implemented in China's foreign trade departments is not exactly the same as the agent system specified in the "General Rules of Civil Law." As a result, confusions of legal relations and responsibilities tend to occur in practice, and many disputes are difficult to settle once they occur. These problems are manifested mainly as follows:

1. As an interested party of the contract, the foreign trade company must assume full responsibility for the contract. If the contract is violated because the domestic

supplier failed to deliver goods on time and in specified quantity and quality or because the user went bankrupt and lost the ability to pay, as the seller or buyer in the contract, the foreign trade company must assume the responsibility to compensate the foreign businessman for his losses. Similarly, if the foreign seller violates the contract or if the foreign buyer does not have the ability to pay, generally the foreign trade company is the only one that can negotiate with the foreign businessman. Although the domestic supplier and user are the owners of goods, neither of them can directly look into the responsibilities of the foreign businessman. Such practice is liable to cause many contradictions and conflicts.

2. The rights and obligations of the foreign trade company which acts as an agent are uneven. As an interested party of an import and export contract, a foreign trade company has to assume full legal responsibility. But the service charge it collects for acting as an agent generally ranges from 1.5 to 5 percent of the price of import and export goods. The difference between its rights and responsibilities is too great.

3. Due to the imbalance of rights and obligations and the great disparity between responsibility and interest, contradictions and conflicts are unavoidable between foreign trade companies and their consignors. For instance, when a domestic supplier or user is unhappy with a foreign businessman in the fulfillment of the contract and needs the foreign trade company to conduct negotiations, the foreign trade company often considers its own work or interest, such as maintaining a good, long-term, cooperative relationship with the foreign businessman, and is not too willing to conduct excessive negotiations with or demand compensation from the foreign businessman. As a result, the foreign trade company sometimes fails to give full consideration to the interest of interested domestic parties.

4. Since legal relations are unclear, when there is a dispute, foreign trade companies and interested domestic parties sometimes blame each other, causing the dispute to drag on and on. Because of this, foreign businessmen complain that it is too hard to do business with China. Sometimes they would take advantage of the fact that the responsibilities are unclear between them and carry out speculative activities. When foreign trade companies fail to deliver goods or do not have the ability to pay, foreign businessmen would directly go to suppliers or users. When suppliers or users fail to deliver or pay, they would go to foreign trade companies. By choosing either one, foreign businessmen can do their best to protect their interests.

The above situation is caused by the fact that the foreign trade agent system currently implemented in China lacks a legal basis. When disputes occur, there is nothing to go by. The agent system specified in the "General Rules of Civil Law" of China is applicable only within a certain limit. Namely, only when foreign trade companies accept the request of other domestic enterprises that are

authorized to engage in foreign trade (including foreign-funded enterprises) can they represent the enterprises and sign import and export contracts with foreign businessmen in the name of domestic suppliers or users and have them assume direct legal responsibility for the contracts. This method however cannot be used for domestic enterprises that are not authorized to engage in foreign trade. This is because import and export contracts are economic contracts involving foreign nationals and, according to Chinese law, enterprises without the authority to engage in foreign trade have no rights to sign import or export contracts in their own name or in other's name.

In fact, the concrete practice of Chinese foreign trade companies in handling import and export business on behalf of enterprises which do not have the authority to engage in foreign trade belongs to the method of international trade commission agency. The continental legal system refers to it as indirect agent. The contract of commission agency is generally referred to also as trust contract or indirect agent's contract. Namely it is a contract under which a broker accepts the request of a consignor and uses his own name to plan for and engage in business activities and collect a certain amount of reward. The contract of commission agency has the following legal characteristics: 1) a broker engages in legal activities in his own name; 2) the ownership of all goods purchased and sold by a broker goes to his consignor; 3) the consignor should give his broker a definite amount of reward. The overwhelming majority of contracts in the foreign trade commissions of Chinese foreign trade companies have these characteristics.

In view of the above situation, in order to give a legal basis to the existing foreign trade agent system, we suggest that relevant state departments add to the "General Rules of Civil Law" some regulations on indirect agent or commission. If China has legislation on both direct and indirect agent systems, while carrying out foreign trade operations as an agent, Chinese foreign trade companies will be able to choose a practice which they see fit in accordance with concrete situations.

However before the "General Rules of Civil Law" is amended and relevant administrative rules and regulations are formulated, we may adopt the method of allowing the consignor to sign a contract of commission agency with his broker. This is because the third item of the fifth clause of the "Law of China on Economic Contracts Involving Foreign Nationals" stipulates that international practice may be followed if there is no stipulations in the law of China. The contract of commission agency is a form of contract widely used in the world. Under the situation where Chinese foreign trade practice has gone beyond the stipulations of existing laws, it can help solve the problems facing the current foreign trade agent system. Therefore, as long as there are no clear written rules in the law, the contract of commission agency will serve as the only legal basis.

The contract of commission agency is more widely applicable than the agent system specified in the "General Rules of Civil Law." Enterprises with or without the authority to engage in foreign trade both can hire foreign trade companies as their brokers to help them carry out import and export businesses. When signing the contract of commission agency, rights and obligations of both parties should be specified in written form in clear and concrete terms. Special attention should be paid to clearly stipulating the following three legal relations.

1. The relation between a consignor and a broker (indirect agent). This relation is determined by both parties by signing a written form of contract of commission agency. But such a contract of commission agency is not binding on the third party. When there is a dispute, it can be resolved only by the two parties, not by the third party.

2. The relation between a broker and a third party. The broker uses his own name to make plans for his consignor and sign related contracts with a third party. The rights and obligations of such a contract belong to the broker who assumes full legal responsibility for the contract but has only an indirect relation with his consignor. If the consignor is responsible for the occurrence of the dispute, the broker may ask the consignor to cooperate with him in settling the dispute. But he cannot ask the consignor to directly talk to the third party.

3. The relation between a consignor and a third party. Since it is an indirect agent system, the third party signs a contract with the broker not the consignor. Because of this, there is no direct contract relation between the consignor and the third party. Unless the broker transfers the contract which he signed with the third party to the consignor, the consignor is not authorized to make demands directly on the third party, nor can the third party directly demand that the consignor fulfill his contract obligations. In this way, the relation between the consignor and the third party will be clear and the third party's right to choose freely will be eliminated.

Now that the broker is an interested party of the contract, he should fully and quickly honor the contract which he signed with the third party. Even when the foreign businessman violates the contract or when the consignor is responsible, he should act to negotiate and demand or offer compensations instead of avoiding or shirking his responsibility because he has a good business relation with the third party. He should do so unless the broker has transferred the contract to the consignor, the contract has different stipulations or has spelled out the responsibility of the consignor, or he has asked the consignor to handle the dispute when it occurs. This can help settling disputes in a timely manner and avoiding shirking responsibility and disputing over trifles.

In addition, because the responsibility of a broker (indirect agent) is different from that of a direct agent, the broker (indirect agent) has much more responsibility in a contract than the direct agent. Because of this, the



broker's compensation should be higher accordingly. Otherwise, rights, responsibilities, and interests will not be balanced, which is bad for the fulfillment of the contract and the settlement of disputes. This is another issue which we must pay attention to when signing a contract of commission agency.

### **Aerospace Industry Expands Exports of Machinery**

*OW0612093890 Beijing XINHUA in English  
0912 GMT 6 Dec 90*

[Text] Beijing, December 6 (XINHUA)—The Ministry of Aero-Space Industry is planning to increase the export value of electric machinery to 400 million U.S. dollars in 1991.

The CHINA NEWS SERVICE reports that the ministry has increased exports of these products by 100 million U.S. dollars, annually, for the last two years. The service also reports that this figure is expected to rise to 300 million U.S. dollars this year.

The ministry has drafted a strategic plan aimed at gradually changing the scope of its service from military to civilian and from domestic to overseas market.

At present, CHINA NEWS SERVICE says, the ministry owns 155 production lines which manufacture civilian products. The output value, which now accounts for approximately 70 percent of the output value for the entire aviation and space industry, has been increasing at an annual rate of 30 percent.

The ministry produces 267 categories of civilian products which are acknowledged by the state as import substitutes.

### **Textile Export Earnings Rise 1.8 Percent**

*OW0701093691 Beijing XINHUA in English  
0839 GMT 7 Jan 91*

[Text] Beijing, January 7 (XINHUA)—China earned 54.7 billion U.S. dollars from the export of textile products and garments during the Seventh Five-Year Plan period (1986-1990).

PEOPLE'S DAILY reported today that earnings for the period were 1.8 times the figure for the Sixth Five-Year Plan period (1981-85).

The paper said that last year's total export volume of textile products and garments reached 13.6 billion U.S. dollars, accounting for 8.4 percent of the world's total export volume of textiles.

China now ranks fourth in the world in the export of textile products and garments.

Statistics reveal that the country's total production of chemical fiber exceeded 1.56 million tons last year, a 64.2 percent increase over 1985.

According to statistics, 40 percent of the textile products entered the international market, and the textile industry is now the largest export-oriented industry in China.

The country's per capita consumption of fiber reached four kilograms in 1990, a 25 percent increase over 1985. The country's per capita consumption is higher than that in most developing countries.

The total volume of retail sales in the domestic textiles market reached 132 billion yuan, an 84.1 percent increase over 1985. Each year the textiles industry turns out over 10,000 types of new products for the market.

### **Sino-Foreign Joint Ventures Boost Beijing Economy**

*OW0601140891 Beijing XINHUA in English  
0729 GMT 6 Jan 91*

[Text] Beijing, January 6 (XINHUA)—Sino-foreign joint ventures and solely foreign-funded enterprises in Beijing have helped boost the city's economic development, today's BEIJING DAILY reported.

The industrial output value of these enterprises in 1990 accounted for 9 percent of the total of the local industries in Beijing, an increase of 2.8 percent over the previous year. And they turned over revenues of 2.84 billion yuan to the city authorities, which made up 11.2 percent of the city's total amount of revenues.

Beijing now has 837 joint ventures or solely foreign-funded enterprises with a total overseas capital of 2 billion U.S. dollars. More than 240 of them were set up in 1990.

The number of production-oriented Sino-foreign and foreign-owned enterprises has grown to 610 in the city, and 240 of them have gone into operation. Formerly, most of such enterprises were hotels and other tourism-related facilities.

According to incomplete statistics, the products of over 90 joint ventures and foreign-funded enterprises have sold well in the world market. They earned 81 million U.S. dollars from exports in 1990, about seven times the export earnings in 1989.

The joint ventures and foreign-funded enterprises have also helped upgrade the technologies of the city's industries, the paper said.

### **Foreign Loans To Speed Beijing Urban Development**

*OW0501125891 Beijing XINHUA in English  
1212 GMT 5 Jan 91*

[Text] Beijing, January 5 (XINHUA)—Foreign loans are being used to speed up Beijing's urban development, today's BEIJING DAILY reported.



It is estimated that by the end of 1990, the city had launched 85 urban construction projects with the assistance of foreign loans. Of the 597 million U.S. dollars in contracted loans, 410 million has been received and been put into practical use, the paper said.

The loans, from 13 countries and regions, including Japan, Italy, Britain, France and Germany, are mainly being used to upgrade the city's infrastructure projects, such as water and electricity sources, general heating, gas lines, transportation, and environmental protection, according to the paper.

While actively introducing foreign loans to speed up urban construction, the municipal government is also always exploring ways to repay these loans. Thus far, the city has repaid the foreign loans, totaling 6.53 million U.S. dollars, that were used to fund seven municipal projects, the paper said.

#### **Guangdong Absorbs More Foreign Investment**

*OW0301194791 Beijing XINHUA in English  
0701 GMT 3 Jan 91*

[Text] Guangzhou, January 3 (XINHUA)—The year 1990 saw south China's Guangdong Province make more progress in using foreign investment.

According to local statistics, the province concluded 6,468 foreign economic contracts in the first 11 months of last year, up nine percent over the same period of the previous year.

It approved the establishment of 2,706 foreign-funded enterprises during this period, up 20 percent. Included were 713 enterprises with sole foreign investment.

These enterprises involved a sum of contracted foreign investment of 2.4 billion U.S. dollars, up five percent over the same period of the previous year.

A provincial official in charge of industry said 95 percent of these enterprises are production ones equipped with advanced technology and producing export-oriented goods.

He noted that the proportion of foreign-funded enterprises in Guangdong's gross domestic product rose last year.

The first three quarters of the year saw the proportion of the industrial output value of foreign-funded enterprises account for 24.6 percent of the province's total, up from 17.87 percent in the same period of the previous year.

These foreign-funded enterprises exported three billion U.S. dollars-worth of goods in the first 11 months of last year, up 58.5 percent over the same period of the previous year.

#### **Shanghai Reports Record Foreign Investment**

*OW0401181991 Beijing XINHUA in English  
1510 GMT 4 Jan 91*

[Text] Shanghai, January 4 (XINHUA)—Trade officials in Shanghai, China's leading industrial center, announced today that during 1990 the city recorded its highest ever foreign investment.

In 1990, the local government approved 201 foreign-funded enterprises involving 370 million U.S. dollars in contracts, said an official from the Shanghai municipal foreign investment work committee.

The official revealed that the 201 enterprises are composed of 159 Sino-foreign joint ventures, 12 cooperative firms, and 30 solely foreign funded enterprises.

He further pointed out that 93 percent of the new projects and 95 percent of overall investment were earmarked for industrial projects.

Hong Kong ranks first, in both the number of projects in Shanghai and in total investment. To date, Hong Kong has established 444 enterprises with an investment of 770 million U.S. dollars.

Taiwanese investments have also increased dramatically. Investments from Taiwan amounted to over 100 million U.S. dollars in 1990.

Investments from the United States have continued to rise, and during 1990 U.S. firms invested over 90 million U.S. dollars in 32 projects. The official said that 98 percent of the foreign-funded enterprises in Shanghai are successful.

#### **Shaanxi Province Increases Technological Exports**

*OW2412181290 Beijing XINHUA in English  
1556 GMT 24 Dec 90*

[Text] Xian, December 24 (XINHUA)—Northwest China's Shaanxi Province has expanded technological exports and expects to earn over 30 million U.S. dollars during 1990.

The province has thus far established economic, technological and trade relations with more than 100 countries or regions throughout the world. A number of technological products produced in the province can be found in markets throughout the world.

Statistics show that from 1987 to 1989 the province has signed 59 technology related contracts, valued at over 72 million U.S. dollars, with foreign countries. Of these, four hi-tech export projects are expected to earn over 18.4 million U.S. dollars, while 46 industrial technology export projects will earn over 52.3 million U.S. dollars.

Zhu Zhenyi, director of the provincial economic and trade commission, reports that the projects include

exports of computer software, textiles, building materials, aerial survey, optical electronics, machinery, electronics, medicines, petro-chemicals, light industry and foodstuffs.

The province exports technology projects to both developing and developed countries, as well as newly industrialized countries and regions.

A number of new arts and crafts products and laboratory technology projects are competitive in the world market. In addition, anticancer medicines and electronic devices used to eliminate asthma are welcomed in developed countries and regions including the United States, Japan, Britain, Singapore, Taiwan and Hong Kong.

Shaanxi, one of China's scientific research and industrial production bases, now has over 11,500 industrial enterprises, 800 scientific research institutes or organizations and 50 universities and colleges, which employ over 330,000 scientists and engineers. These organizations have made notable achievements in more than 7,000 scientific research projects, a number of which have won prizes at international fairs.

## ECONOMIC ZONES

### Jilin Enterprises Represented in Shenzhen

SK1812051190 Changchun Jilin Provincial Service  
in Mandarin 1030 GMT 17 Dec 90

[Summary] So far, the various departments of our province have established 89 enterprises engaged in electronics, telecommunications, machinery production, chemical industry, textile industry, medical industry, construction, paper making, animal feed production, livestock breeding, commerce and foreign trade in Shenzhen, a special economic zone. Total investment in the enterprises was 132 million yuan, and their employees totaled 4,000. Their industrial output value, business volume and profits accumulated over the past few years totaled 310 million, 687 million and 68.5 million yuan, respectively. Of these enterprises, 18 are exclusively owned by our province, 36 are jointly invested by enterprises of other localities of the country, and 18 are jointly invested by foreign firms.

### Xiamen Tax Revenues Rise From Foreign-Funded Firms

OW0901044791 Beijing XINHUA in English  
0233 GMT 9 Jan 91

[Text] Xiamen, January 8 (XINHUA)—Xiamen, an island open city in east China's Fujian Province, collected a total of 255 million yuan (about 51 million U.S. dollars) in tax revenue turned in by foreign-funded enterprises in 1990, an increase of 30 percent over the previous year.

According to local officials, this makes Xiamen the biggest benefactor in this sector in China.

They attributed the city's sharp increase in tax revenue to the mushrooming of foreign-invested enterprises and the good economic results of those firms. Xiamen was one of the first special economic zones in China, set up in 1982.

By last November about 1,000 project contracts using foreign capital had been signed, and among them 501 foreign-funded enterprises had started business.

These 501 enterprises generated a total industrial output valued at 3,127 million yuan during the first 11 months of last year, accounting for 55.08 percent of the city's total.

## LABOR

### CASS Researchers Examine Unequal Social Distribution

91CE0165A Beijing JINGJI LILUN YU JINGJI  
GUANLI [ECONOMIC THEORY AND BUSINESS  
MANAGEMENT] in Chinese No 5, 28 Sep 90 pp 63-66

[Article by Xiao Liang (2556 0081) and Zhang Wenmin (1728 0795 2404), with the Chinese Academy of Social Sciences (CASS); Li Ran (2621 0373), responsible editor: "Incomes Should Be Better Publicized To Make Social Distribution More Fair"]

[Text] Better publicizing personal incomes is a reform measure that is aimed at rationalizing social income distribution relations. It will help not only to enhance macroeconomic control and supervision of income distribution, but also to resolve the issue of unfair income distribution. As this issue involves three main types of income earned by three groups of people, it should be resolved in the following ways:

#### I. All Distribution in Kind and Senior Cadre Privileges Should Be Reclassified as Money Wages

As China's commodity economy is still undeveloped, and a supply system of payment in kind was long practiced in CPC revolutionary base areas, a distribution preference for payment in kind has long been prevalent in China. Although this preference has continued in recent years, it is unsuited to the demands that our socialist economy remain a commodity economy, our socioeconomic operations adhere to the law of value, and our auditing system, wage system, and efficiency be improved. Thus, economic reform steps should be taken to reclassify as much as possible all of the vestiges of distribution in kind and the supply system of payment in kind as distribution of money or money wages, in order to put into practice a fairly complete wage system.

Although distribution in kind involves many types of people, such as workers and peasants, it refers mainly to senior cadre privileges.

No one is clear about the true current extent of senior cadre privileges, because they are very poorly publicized.

In order to clarify this issue, we have researched the relevant data and made a superficial analysis. Our data analysis found that in addition to wages, cadres above the rank of vice minister are expressly provided, in addition to wages, with at least six or seven living privileges, such as housing, cars, furniture or articles of daily use, domestic

cooks or servants, full-time secretaries, transportation for public business, and expenses for taking family along on vacations. Although we cannot list all of these provisions here because they are so subdivided and detailed, we have classified them according to their calculated value in the following two tables:

Table 1. Various Types of Pay for China's Administrative Cadres at All Levels (1987)

Rank	Average Wage Per Rank (in Yuan)	Pay Other Than Wages (Calculated Value in Yuan)	Total Income (in Yuan)	Percentage of Total Income Accounted for by Pay Other Than Wages
Minister	317.14	584.23	901.37	64.8
Vice Minister A	270.71	426.76	697.47	61.2
Vice Minister B	270.71	356.76	627.47	56.9
Bureau Director	219.17	102.73	321.90	31.9
Department Head	170.5	55.13	225.63	24.4
Section Chief	129.5	45.84	175.34	26.1
Office Worker	84.5	43.65	128.15	34.1

Explanation: Calculations have not been made for cadres above the rank of minister. The vice minister A category refers to those provided with special cars and servants, while the vice minister B category refers to those without these privileges. Wages include basic wages, occupational wages plus seniority subsidies, and bonuses. Subsidies are 20 yuan per month for ministers and vice ministers, 15 yuan per month for bureau directors, 10 yuan per month for department heads, 5 yuan per month for section chiefs, and 2.5 yuan per month for office workers. Occupational wages are average values for the various ranks. Housing for those above the rank of bureau director is 500 yuan per sq m of building cost, or 0.12 yuan per sq m of monthly rent. Cooks and servants are calculated at the stipulated cost of 70 yuan per month. Cars are calculated according to the standard cost for use by retired cadres. Telephones are calculated at a cost of 20 yuan per month. Insurance and welfare funds are calculated according to stipulations. Therefore, pay other than wages is actually its minimum value, and does not include that in addition to or in excess of stipulations, which in reality is considerable.

These tables show that while the wage difference between office workers and ministers is only 3.75 times, their total income difference is 7.03 times, which is due to the difference in their pay other than wages being 13.38 times. Therefore, when researching incomes, it was necessary to look beyond the one index of wage income to pay other than wages. In addition, they show that while pay other than wages was less than wages for cadres of all ranks from bureau director down, it was not only higher, but much higher, for those of the rank of vice minister and up. This shows that China's too high privilege standards for senior cadres are a vestige of our long-standing supply system of payment in kind.

In a report on 2 November 1979, Comrade Deng Xiaoping pointed out explicitly that "Cadre privileges are a key factor that divorces us from the masses," and

"Considering certain work needs of senior cadres, although their wages should not be further reduced, there should also not be too big of a difference between their wages and those of ordinary cadres and staff members and workers, or between their living standards and those of the masses. They should not enjoy special privileges that are often worth more than their wages. It is certainly not the case that our senior cadres have too high wages, but rather that their pay other than wages is too generous."<sup>1</sup> Although senior cadres having too many privileges does not conform to the spirit of the principle stated by Marx in his discussion of the Paris Commune, that state personnel are the people's "public servants" and not a privileged stratum, this problem has still certainly not been conscientiously resolved even after so many years have passed.

Our basic view is that even though it may be necessary to raise the wages of senior cadres to 1,000 or even 2,000 yuan, they should not continue to be given any special privileges beyond their wages. Reclassifying all special privileges as money wages would not only help to resolve the issue of cadre privileges by better publicizing their incomes, but also could contribute to fostering a good work style of thrift, hard work, and honesty. Everything being provided by the state, and having to ask the state to supply all needs, are vestiges of our supply system of payment in kind. Such a supply system was suited only to overcoming difficulties and hardships during the war years, when it was necessary in order to ensure the basic needs of the revolutionary ranks. Continuing to practice such a system while building socialism, ensures not basic needs, but rather cadre privileges. Reclassifying these privileges as wage distribution, and making all living expenses be paid out of wages, would make even senior cadres weigh the costs. Would this not be a very good thing?

## II. Such Things as Bonuses and Subsidies Should Not Be the Key Sources of Staff Member and Worker Income

It was absolutely correct for China to restore a bonus-payment and piece-rate wage system after the Third Plenary Session of the 11th CPC Central Committee, because bonuses are rewards for extra work, and piece-rate wages are a good way to implement the principle of distribution according to work.

However, due to mischief stirred up by the equalitarian ideology, and our lack of a regular promotion system, to assess work grades, norms, and proficiency in particular, in addition to inflation and our ineffective macroeconomic regulation and control, bonuses have actually been shared out equally to all and, along with distribution other than wages, have come to account for an increasingly bigger and ever growing percentage of income since the bonus system was restored. This not only violates the principle of distribution according to work, but also creates to a certain extent a too sharp increase in social demand, which issues we should conscientiously study and resolve. Despite the big percentage of staff member and worker income actually accounted for by distribution other than wages, it has been very poorly publicized.

Data from the State Statistical Bureau shows that in 1978 before reform, all bonuses accounted for 2.3 percent, all subsidies accounted for 6.5 percent, and other pay other than wages accounted for 3.4 percent, for a total of 12.2 percent, of state-owned enterprise payrolls. These figures are most likely accurate.<sup>2</sup> But by 1988, these three items had come to account for 39.7 percent of such payrolls, including 17.2 percent for bonuses, 21.4 percent for subsidies, and 1.1 percent for others.<sup>3</sup> The accuracy of these statistics is very hard to determine. According to the data assessment of a sampling of urban resident living standards in *China Statistics Yearbook*, in addition to the above state-provided income, hidden income accounted for another 15 percent of wages, and this figure was calculated as 15-24 percent by the statistical bureau's urban survey team. In addition, all units are now creating diversified sources of income, and keeping payments to staff members and workers in cash or in kind secret. It is very hard for outsiders to learn how much units are actually paying their staff members and workers. Cases have even arisen of refusing to answer questions about how much has been paid to individuals in cash or in kind, for fear that first, outsiders will find out and then, concerned departments will come to investigate and punish. Moreover, these figures are averages for all of China. In fact, there are very big differences among all regions, departments, and units. Certain local polls have found that bonuses and other income paid to staff members and workers by enterprises account for 70-80 percent of wages, even more than wages in some cases, and have come to be the major source of income for staff members and workers. This regarding of income from wages as pocket money, is certainly not an isolated accidental phenomenon.

Overseas statistics for both socialist and capitalist countries show that most staff member and worker income comes from wages, and very little from bonuses and subsidies. For instance, basic wages have actually accounted for 88-91 percent, but additional wages for only 9-12 percent, of payrolls in all sectors of the Soviet Union in recent years. Such a large percentage of China's staff member and worker income being accounted for by additional wages, such as bonuses other than wages, cannot be considered normal in any case.

In addition to the amazing variety of income from sources, such as bonuses and subsidies, staff member and worker income also includes many subsidies for other kinds of things, such as prices, nonstaple food, rent, coal, and transportation costs, and their actual amounts are very obscure. As to rent subsidies in particular, when prices are rising but rents are constant, the subsidies are certainly considerable, and even become a manifestation of unfair income distribution, because those who are allotted the most housing profit the most. Under today's conditions of unhealthy party work style and social atmosphere, who is allotted the most housing? It seems to be mostly those with power and influence. Of course, as there certainly are very many party members and cadres with healthy ideologies and work styles, all privileges should be reclassified as wage income and clearly publicized, in order to eliminate hidden unfair distribution factors.

Thus, under current actual average income levels, the only way to resolve this issue is to restructure incomes by raising wages and reducing the percentage of payrolls accounted for by things, such as bonuses and subsidies, and by reclassifying a considerable portion of all bonuses, subsidies, and allowances as staff members and workers' fixed wages. Bonuses and additional wages should account for no more than one-fifth to one-fourth of payrolls. This method would have at least the three advantages of standardizing all income, publicizing people's incomes, and raising wages. In a word, it not only would make wages be used to meet staff members and workers' living expenses, but also should enable them to be truly used as a lever to stimulate worker initiative. This would depend both on strengthening laws, regulations, and macroeconomic control and supervision, and also on changing people's thinking and understanding.

## III. The Incomes of Self-Employed Workers and Owners of Private Enterprises Should Be Better Publicized

As throughout the initial stage of socialism, China has used a mostly public ownership structure and a management form in which various economic components and management forms coexist, our income distribution was bound to be one in which various forms of distribution coexist. While demanding that everyone's income either conform to the principle of distribution according to work, or be kept at the level of staff members and

workers in state-owned enterprises, was both unreasonable and basically impossible, better publicizing people's incomes should be considered both reasonable and correct.

Although there has been quite a lot of talk about the incomes of self-employed workers, owners of private enterprises, contractors, and leaseholders being too high, we understand in fact that the incomes of all self-employed workers are certainly not very high, and that those of a sizable percentage of them are not necessarily higher than those of ordinary staff members and workers. For instance, by the end of 1989, about 75 percent of the 20 million self-employed workers in over 10 million self-employed households throughout China were located in rural areas. Of the 25 percent that were located in towns and cities, all were certainly not distributed in large cities and flourishing commercial zones, but most were scattered throughout ordinary streets and lanes in large, mid-size, and small cities, and had wide income gaps. In addition, it is wrong to simply compare their personal incomes with the wages of staff members and workers in state-owned enterprises. In order to compare them correctly, it is necessary to consider various other factors, such as their investment, harder work, risk, and lack of social guarantees.

In which case, what is actually a reasonable income for a self-employed worker? It is estimated that a self-employed worker should have an income of about 400 yuan a month to equal the average wage of staff members and workers. The situation is similar for owners of private enterprises. In the first half of 1989, China had 68,000 registered private enterprises, which employed an average of 17.8 workers each, or a total of 1.21 million, and had 5.8 billion yuan in funds, or an average of 85,000 yuan per enterprise. Based on this many workers per enterprise, a reasonable income for an owner of a private enterprise should be over 20,000 yuan a year. The more workers per enterprise, the higher the income of the owner. While these people's incomes should be protected as long as they are legal, they should also be regulated through taxation.

These people's incomes are now poorly publicized. In particular, those of self-employed workers are very poorly publicized. This is because they have basically no established accounting procedures, and their transactions are particularly frequent and decentralized. There is no way for anyone other than themselves to find out what their incomes actually are. This causes management and income regulation difficulties. While everyone is saying that self-employed workers are evading taxes on a large scale, this is simply a guess. Moreover, the talk is about how much taxes they should be paying, which is also a guess, and a very inaccurate one at that. However, the situation is different for private enterprises. As they have better financial regulations and procedures, they are easier to control. Of course, there are still some that evade taxes and conduct illegal activities. The incomes of state-owned enterprises and state-owned enterprise contractors are generally public knowledge. It is only the

very poor publicizing of the incomes of so-called "one-foot-kick" rural contractors and leaseholders, that gives some people the opportunity to exploit loopholes.

We would like to mention in passing here the "tax-evaded" income of performers, and the income from "official" and "private" profiteering, which are extremely poorly publicized. It is now often the case that problems are investigated only after they are discovered. Moreover, it is often only after huge teams of investigators are organized with much ado that approximate conditions are discovered. Very high costs are involved in collecting evaded taxes, and the amounts that should be paid are obscure. This is a very abnormal phenomenon.

All of this shows that better publicizing people's incomes is a very complex matter, and that different remedies should be used according to various conditions. In summary, our income distribution system should be reformed, regulations should be established and perfected, and supervision and control should be strengthened.

1. Deng Xiaoping: "Selected Works," People's Publishing House, 1975-1982, pp 190, 192
2. However, according to "China Labor and Wages Statistical Data" (China Statistics Publishing House, p. 131), all bonuses, subsidies, and additional wages accounted for 11.7 percent of state-owned enterprise staff member and worker payrolls in 1978.
3. *China Statistics Yearbook*, 1989, p 130, China Statistics Publishing House

### Lessons Learned in Wake of Shutdowns, Layoffs

91CE0215B Beijing GONGREN RIBAO in Chinese  
30 Nov 90 p 3

[Article by Li Jilun (2621 4949 0243): "Thoughts Following the Easing of Shutdowns and Layoffs"]

[Text] The shutdowns and layoffs that have been widespread since the third quarter of 1989 were a hot topic in economic life for a time. According to the extrapolation of June statistics from departments concerned, the number of staff members and workers affected by enterprise shutdowns and layoffs nationwide has fallen to 2.84 million, or 2.7 percent of the total number of staff members and workers employed in enterprises. This shows a marked easing in the shutdowns and layoffs problem. Persons concerned feel that this easing of shutdowns and layoffs was an important indicator of an upturn in the entire economic situation during the first half of 1990.

The easing of shutdowns and layoffs seems to have made people who were alarmed for a time breathe easier. However, when we look back and make a cold analysis of the causes and effects of the shutdowns and layoffs, it seems that now is not yet the time to breathe easier.

Thought One: What does the occurrence of a widespread shutdown and layoff problem show? A review of relevant articles, reports, or internal data shows that the problem is attributed mostly to the effect of macroeconomic retrenchment, a market slump, the shortage of funds, and the shortage of raw and processed materials. This resulted in some enterprises having insufficient work to do or even halting their production, thereby occasioning the shutdown and layoff problem. This analysis has to be given some credence inasmuch as a look at direct reasons shows the shutdown and layoff problem really to have resulted from factors such as the market slump. Nevertheless, this is just a superficial analysis. A deeper analysis shows that the work stoppage and work layoff problem was actually a manifestation of a longstanding skewed economic structure. It was the inevitable result of certain processing industries' blind development in recent years. If instead of understanding the stoppage and layoffs in terms of a skewed economic structure, we simplistically attribute them to external factors such as the market slump, people will mistakenly suppose that naturally only an upturn in the market can readily solve the stoppage and layoff problem. This will be extremely harmful to readjustment of the economic structure. The writer feels that unless readjustments are made in the industrial structure and the product mix, even after the market revives, some enterprises will still find it difficult to sell their products, will not have sufficient work to do, and will have many staff members who are out of work or laid off.

Thought Two: What is meant by preferential policies for enterprises that have shutdown or laid-off workers? Once the shutdown and layoff problem became widespread, it aroused general concern from top to bottom. In order to safeguard social stability, governments everywhere instituted a series of preferential policies toward enterprises that had shut down or laid off workers. These policies included things like reduction or exemption from taxes, increased loans, and priority allocation of raw and processed materials. The inauguration of these preferential policies meant that the quality of most of our enterprises was too poor, and too fragile. They could not withstand market tribulations. Enterprises blamed their lack of sufficient work and the shutdowns and layoffs of staff members and workers on the market slump. In order to get out of their predicament, they put out their hands to the government "asking for policies." It also meant that the government was still unable to shake free from "paternalism" toward enterprises. As soon as they run into trouble, government feels it just has to provide preferential policies. In a nutshell, this means that our enterprises are still a long way from being relatively independent commodity producers. In this sense, the shutdowns and layoffs produced some benefit. At least they permitted us a fairly objective view of the quality of enterprises at the present time.

Thought Three: How are the shutdowns and layoffs to be dealt with now and for some time to come? The success in easing the shutdowns and layoffs problem merits

approval to be sure, but there is no cause for blind optimism about the situation for two reasons: First, after solving the funds shortage and other superficial problems, the deep down problems still remain. They show up primarily in a skewed economic structure, not very high enterprise quality, and a decline in economic returns. Solving these problems will require greater efforts. Second, new stoppages and layoffs may occur. Places that have resumed work are in danger of further stoppages and layoffs, so we cannot lower our guard.

Thought Four: Should we simply revive production or find ways to readjust the structure? If the work stoppages and layoffs in certain enterprises result from temporary difficulties and insufficient work to do, certainly actions should be taken to revive production to solve the problems, but if enterprise shutdowns and layoffs stem from a skewed industrial structure or product mix, one should not simply pay attention to the revival of production. Unless such enterprises change their output or reorganize, they have little prospect of development, even should an upturn in the market develop. The way out of their predicament is to change output, and if they cannot change output, all they can do is rely on partnerships or mergers with first-rate industries. In the author's view, enterprise mergers are a sound strategy. They have the advantage of risking less than going bankrupt, and they make more economic sense than the state providing preferential policies.

Thought Five: What can be done to ensure the basic livelihoods of personnel suffering from shutdowns and layoffs? Responsible comrades concerned maintain that the shutdowns and layoffs reveal in a concentrated way the unsoundness and incompleteness of the country's social insurance system. Imagine, had we built a complete social insurance system and an ample social insurance fund long ago, what need would there be to become alarmed about shutdowns and layoffs? Social insurance is termed a "security net" and a "shock absorber." Only when it is in place can employment, illness, and work injury risks be dealt with, and social instability factors be reduced to the minimum. In the course of reform of the labor economy system during the past 10 years, reform of the social insurance system has clearly lagged. Once the present work stoppages and layoffs occurred over a wide area, we got a full taste of the bitter fruits that delay in reform of the social insurance system has brought. It is not too late to lock the barn after some horses have been stolen.

#### ACFTU Recites Labor Protection Achievements

91CE0215A Beijing GONGREN RIBAO in Chinese  
28 Nov 90 p 1

[Article by Correspondent Shen Jianhong (3088 0494 5725): "Trade Union Plays Role in Economic and Technical Labor Protection Work"]

[Text] The correspondent learned at the National Trade Union Economic and Technical Labor Protection Work

Conference convened in Shanghai on the 26th [as published] that during the past more than 10 years the country's trade union has done much work in the field of economic and technical labor protection work. This has greatly aroused the enthusiasm for production of millions upon millions of staff members and workers for the creation of outstanding economic and social benefits.

Socialist labor competition results have been substantial. Trade unions everywhere have diligently spread experiences in competitions to "make contributions to the four modernizations." The competitions to create premium quality, the key project competitions, the hundred schools window competitions, [sic] the big profit and tax payer competitions, the competitions to turn losses into increased profits, the foreign exchange earning export campaigns, and the factory team and group upgrading competitions that have been widely launched by the broad masses of staff members and workers have been marked by more pronounced production of the advanced, production of the new, production of the premium, production of foreign exchange, and production of the best economic returns. Since 1986, the broad masses of staff members and workers have created nearly 10 billion yuan in wealth for the country through competition campaigns.

A mass sensible suggestion and technical transformation campaign flourished. This campaign has now spread from a single production technology field to the scientific research, and the administration and management fields, and it has spread from production workers to scientific and technical, administrative, and operational decision-making personnel to become an effective way for staff members and workers to take part in, to manage, and to enliven enterprises. Currently more than 67 million staff members and workers in more than 260,000 entrepreneurial units have thrown themselves into this campaign. Since 1986, they have provided more than 64 million suggestions of various kinds, including methods for improving administration and management that have produced more than 50 billion yuan of output value.

The building of factory groups and teams is improving day by day, with outstanding results being obtained from competitions to provide training in position job skills. The trade union and industrial trade unions everywhere have made greater building of factory groups and teams for the purpose of enlivening enterprises a strategic task. They have done a lot of work, focusing on the need to improve administration, upgrade, and generally improve quality. They have launched widespread campaigns to produce qualified factory groups and teams, credible factory teams and groups, and advanced factory teams and groups by way of ensuring the upgrading of enterprises. A total of 1.11 million advanced factory teams and groups has come into being nationwide. Trade unions everywhere are also organizing staff members and workers to conduct mass position training, technical training, and skills competition campaigns.

The status of mass campaigns of study to catch up with the advanced is heartening. During 1989 alone, 10.65 million advanced producers and advanced workers, and 1.649 million advanced collectives have come to the fore on various front lines of production nationwide. This includes 2,793 people who have won the honored titles as national labor model and advanced workers. During the past five years, 5,268 people have won the All-China Federation of Trade Union-awarded "May 1 labor medal," and 9,389 advanced collectives have won the "May 1" labor certificate of merit. In 1989, the All-China Federation of Trade Unions [ACFTU] and local governments also organized labor report groups for dispatch on rounds to various places to make reports. This has given tremendous impetus to a turn around in the social atmosphere, bolstering ideological and political work, and halting the movement of staff members and workers to other jobs.

Advances were scored in trade union economic studies. Trade unions at all levels departed from the usual bill of fare in doing economic work. They both took active parts in studies of national macroeconomic policy, economic plan, and economic system reform, and also conscientiously studied factors influencing staff member and worker enthusiasm; they also explored conditions, measures and methods for stirring the enthusiasm of staff members and workers. They used these studies to provide data for national formulation of pertinent policies. During the past several years nearly 100 municipal trade unions and more than 1,500 enterprise trade unions have conducted economic research.

During the past 10 years or more, the labor protection work of the country's trade unions has likewise made important contributions in the protection and development of productivity.

Promulgation of trade union labor protection, supervision, and inspection regulations, and the building of a trade union labor protection, monitoring, and inspection system have permitted a full exercise of the trade union's labor protection, monitoring, and inspection functions. Trade unions throughout the country have preliminarily formed a mass supervision and inspection system, and work networks. As of October 1990, ACFTU and provincial trade union personnel charged with labor protection, supervision and inspection numbered 1,899; more than 420,000 grassroots level enterprises (or workshops) nationwide established labor protection, supervision, and inspection committees; and more than 3.1 million trade union team labor protection and inspection personnel were active in production job groups and teams.

Active participation in labor protection legislation to bolster trade union's ability to exercise macrocontrol over labor protection work. In view of the seriousness of the frequent occurrence of major accidents in recent years, the ACFTU analyzed 100 incidents and 204 typical accidents involving injury or death from which it concluded that poor enterprise safety controls were the fundamental reason for accidents resulting in injury and



death. It also presented to the State Council, "Views on Serious Attention to Safety in Production To Curb Worsening of Injury and Death-Causing Accidents." The ACFTU and 29 provincial and municipal trade unions and associated industrial trade unions jointly carried out investigation and study of harm from dust in 82,143 dusty enterprises. They focused on analysis of 125 job sites where the dust causes serious harm, and they offered trade union suggestions to the state on eliminating harm from dust.

Trade unions everywhere also actively launched factory group and team safe construction campaigns, bringing labor protection work to the grassroots level.

Yu Hongen [0060 3163 1869], the ACFTU Federation of Trade Unions Deputy Chairman and First Secretary chaired this conference and delivered a speech. ACFTU Secretary Zhang Fuyou [1728 1381 2589] reported on work done in "Fully Carrying Forward the Role of the Working Class Main Force in Struggling for the Victorious Completion of the Eighth Five-Year Plan." Shanghai Municipal CPC Deputy Secretary Ni Hongfu [0242 3163 4395], and Deputy Mayor Ni Tianzeng 0242 1331 1073) also took part in the conference.

#### **Jilin Exports Labor to Soviet Union**

*SK2812021590 Changchun Jilin Provincial Service in Mandarin 1030 GMT 26 Dec 90*

[Text] In the export of cooperative labor and technical services to the Soviet Union, this year our provincial agricultural departments have fulfilled their vegetable cooperative production tasks with the Soviet Union under the support and coordination of departments concerned at all levels and have investigated useful ways to further develop the work of exporting labor to the Soviet Union. This is the second year for our province to carry out cooperative labor services in the Soviet Union. Now, there are 11 cooperative units. Cooperative regions have developed from the Soviet Maritime Kray in the Far Region to the European hinterland. A total of 800-odd persons were sent to the Soviet Union to plant vegetables on 503 hectares of cultivated land. Despite serious natural disasters, the total output value of vegetables still grew by a large margin, increasing from 881,500 rubles in 1989 to 1,914,500 rubles this year. Through a selection process, the workers sent by our province were young peasants with good character, health, and labor and farming skills. With a determination to win honor for the country, the province, and their hometowns, they have worked in the Soviet Union for nearly 200 days and nights. Their indomitable hard-working spirit and highly efficient work and their high level of farming techniques have won respect and trust from the Soviet people.

The workers sent by our province have also paid attention to being friends with the Soviet people. They sent their leftover cucumbers and tomatoes freely to nurseries and to the elderly. The Soviet people were greatly moved by this. The Soviet people have also voluntarily helped

the Chinese peasants solve difficulties in their daily life. This has deepened the friendship between the peoples of the two countries.

At the provincial conference of agricultural departments on exporting cooperative labor and technical services to the Soviet Union which ended today, the participants summed up and exchanged experiences in exporting cooperative labor and technical services to the Soviet Union, commended the collectives and individuals who made outstanding contributions to the work, arranged for and worked out plans and measures for exporting cooperative labor and technical services to the Soviet Union next year.

## **TRANSPORTATION**

### **World Bank Loans Aid Tianjin Port Construction**

*OW3012131590 Beijing XINHUA in English  
1242 GMT 30 Dec 90*

[Text] Tianjin, December 30 (XINHUA)—Six deep-water berths have been completed in Tianjin, a port city in north China, with the funds provided by World Bank loans.

In addition to the loans, which totaled 130 million U.S. dollars, 465 million yuan in harbor tolls was also invested in the construction.

The six berths are capable of accommodating six vessels of over 10,000 dwt.

At present, Tianjin Harbor can boast 62 berths, 37 of which are deepwater berths, ranking it second in the country in terms of size, and a 20 million ton annual handling capacity.

### **Guangxi Sets Up Nanning-Fangcheng Railroad Company**

*HK3112073390 Nanning Guangxi Regional Service in Mandarin 1130 GMT 29 Dec 90*

[Excerpts] On the afternoon of 28 December, the regional people's government held a news briefing in Nanning.

Secretary General (Yang Jichang) presented an upright board, on which "Guangxi Nanning-Fangcheng Railroad Company" was inscribed in resplendent colors, to Manager (Qin Chenggong). Thus, the Guangxi Nanning-Fangcheng Railroad Company was officially set up and officially took over overall management of the Nanning-Fangcheng Railroad. The company will start its full operation as of 1 January 1991.

The Guangxi Nanning-Fangcheng Railroad Company is a state-run transportation enterprise under the leadership of the regional people's government. The management of the company has been entrusted to the Liuzhou Railroad Bureau. The company will carry out management in accordance with the state railroad management



regulations and will, like a local railroad company, enjoy full decisionmaking power in its own operation and seek operational development and perfection by relying on its own income. [passage omitted]

Company Manager (Qin Chenggong) said: The company will firmly cultivate the mentality of the people's railroad serving the people and will strictly observe the No. 277 document issued by the regional price bureau in 1990. [passage omitted]

(Qin Chenggong) said: Under the leadership of the regional economic affairs commission, the company will set up a joint transportation office to be formed by railroad, port, and foreign trade authorities; strengthen close cooperation with the state-run railroads; increase export trade; develop economic relations with foreign countries and regions; and strive to build the Nanning-Fangcheng Railroad into a railroad capable of promoting economic development and bringing prosperity to the people.

### **Sichuan Province Opens First Local Railway**

OW2812171690 Beijing XINHUA in English  
1555 GMT 28 Dec 90

[Text] Chongqing, December 28 (XINHUA)—Wansheng-Nanchuan railway, the first local railway of southwest China's Sichuan Province, opens to traffic today.

Construction of the railway cost four years.

The new railway is one of the province's key projects during the Seventh Five-Year Plan (1986-1990).

People of Nanchuan County, many of whom have never seen a train, warmly received the arrival of the first train today.

The railway was jointly invested by Ministry of Railways, Ministry of Coal Industry, Sichuan Province and Fuling Prefecture, with a total investment of more than 90 million yuan.

The new railway will help develop the economy of Sichuan Province, especially Nanchuan County, which is rich in coal, bauxite, quartzite and some other minerals. It will also make it much convenient for tourists to visit the well-known scenic spot—Gold Buddha Mountain—in the county.

## **AGRICULTURE**

### **Research Urged on Agricultural Product Pricing**

91CE0112A Beijing JIAGE LILUN YU SHIJIAN  
[PRICE: THEORY AND PRACTICE] in Chinese No 9,  
20 Sep 90 pp 22-25

[Article summarizes an address made by Zhang Qiwu (1728 4860 2976), Director of the State Commodity

Prices General Administration's Department of Agricultural Product Pricing, to the National Conference on Agricultural Product Pricing Theory: "Intensify Research on the Theory and Policies Behind Pricing Agricultural Products"]

[Text] Since 1979 we have made great progress in reforming agricultural product pricing, particularly in two areas: First we have to a large extent resolved the depressed price situation. Second, we have changed the irrational pricing mechanism of the past, established three forms of pricing—state-mandated pricing, state-guided pricing, and market regulated pricing, and begun to mold an agricultural pricing pattern that integrates a planned economy with market regulation. However, some inadequacies persist: first, some price parities between major agricultural products are still not as reasonable as they might be, especially when we compare state mandated prices with deregulated prices; second, the prices of some staple and sideline agricultural products are inverted, and the financial burden is growing heavier and heavier; third, there are still some problems in the areas of market price management and control. In order to resolve these inadequacies in a satisfactory fashion and intensify agricultural price reform, we must enhance research into price theory and pricing policies. Several agricultural pricing issues that call for further study will be discussed below.

### **I. On Enhancing Research Into Agricultural Pricing Policies**

In policy research, we must not merely do quantitative analysis: it is more important to do qualitative analysis. For example, in studying price adjustments on any particular kind of agricultural product, we must analyze the prevailing economic environment and conditions and study how much effect price increases have on peasant incomes, consumer spending, and the overall price index. It is very important to clarify the relationships between these figures, because only in this way can we discuss the issues lucidly, study them fully, and thoroughly appraise their effects in all areas so as to supply policy-making departments with scientific, reliable data. This is also the only way we can truly integrate theory and practice in price research. I feel that the focus of pricing policy research should be on what problems might arise due to the implementation of a particular policy, and on what consequences and effects they might have.

Right now, in intensifying reforms to improve the economic environment and rectify the economic order, we need to clarify what our guiding ideology and fundamental direction will be. This is a major issue. As far as agricultural products are concerned, it is undoubtedly true that prices must gradually increase. The question is whether the scope of market regulation should be continually expanded. Comrade Deng Xiaoping's has instructed us that we must increase planned management in some areas as we improve the economic environment and rectify the economic order. Considering certain problems that have arisen in the process of

reform over the past few years, especially the detrimental effects of the violent market fluctuations that occurred after we reduced the proportion of planned management over grain and certain agricultural products crucial to industry, these remarks take on immediate significance.

One notable characteristic of agricultural products is that production and market prices are both subject to fluctuation—sometimes extreme fluctuation. Prices and production that alternately soar and plummet are not conducive to coordinated, stable growth in agricultural production, and may, in fact, affect overall national economic stability. Consequently, governments the world over have intervened vigorously in agricultural pricing, made stable agricultural prices the focal point of economic policies, and formulated corresponding measures to regulate and control the economy. Since Western nations first adopted interventionist policies in agricultural pricing, no matter how strong the free-market ideological trend, their governments have never weakened their direct influence over agriculture. The nations of the world have unanimously adopted the policy of strengthening planned management and guidance in agricultural pricing. Similarly, based on the situation as it exists today, China must augment the degree of planned management it exercises over agricultural pricing. Those who believe that price deregulation and market regulation, with no added management of any kind, means reform, whereas stronger planned management means retrogression, are one-sided and speculative. In China, because the mechanism of market operation is still imperfect, material and information conditions necessary to the market are still inadequate, and the state is still weak in terms of its capacity to regulate the market, we must seek market regulation only for a suitable range of commodities. In sum, we must closely and effectively manage commodities that carry state-mandated prices, and we must enhance macroeconomic regulation and control of commodities that bear deregulated prices.

## II. On the Question of Price Parity

The reason that product price parity is so important is that it directly affects worker-peasant relations and the agricultural production mix. The method used to calculate "price scissors" is a key issue in the calculation of price parity between industrial and agricultural products. Right now the methods used are not very consistent. Frequently a simple method of calculation is used, such as a comparison of the overall index of agricultural and sideline procurement prices and the index of rural retail industrial product prices. Some people point out that we should factor in improvement in industrial and agricultural production efficiency, and perhaps also improvement in peasant and worker incomes. In the final analysis, we need further study to explore which method of calculation is most objective and scientific.

Has the "price scissors" for industrial and agricultural prices expanded or contracted since 1979? What has been the direction of change? In terms of prices, have peasants gained more or lost more? Many arguments have been advanced on this subject recently, and viewpoints are not

completely unanimous. Preliminary calculations (of course the figures await further revisions) have produced the following results: (1) generally speaking, the "price scissors" has been continuously shrinking; (2) however, the rate at which it is shrinking has gradually declined; (3) in the past year the "price scissors" has expanded somewhat, primarily as a result of inflation. As far as prices are concerned, peasants have generally gained more than they have lost, but the rate of growth in net income to growth in gross income has dropped somewhat. From 1978 to 1988 the "price scissors" index for industrial and agricultural products was 48 percent, which is to say the industrial and agricultural product "price scissors" shrank by 52 percent, or an average of 4.3 percent per year. From the perspective of what quantity of a staple agricultural product can be exchanged for an industrial product, the "price scissors" has also narrowed. For example, 50 jin of cotton could be exchanged for 107 meters of plain white cloth in 1978, versus 134 meters in 1990; 50 kg of wheat could be exchanged for 74 kg of table salt in 1978, versus 78 kg in 1990. The rate of reduction in the "price scissors" has declined year by year (see table below).

Year	Rate of Reduction in Price Scissors (percent)
1979	27.5
1980	11.3
1981	13.9
1982	4.6
1983	3.7
1984	3.5
1985	expanded 4.4 percent
1986	2.7
1987	2.7
1988	1.3

Why is the "price scissors" narrowing more slowly and even beginning to expand again? The cause perhaps can be attributed to changes in the industrial and agricultural price indices and in industrial and agricultural labor productivity. Prior to 1984, because labor productivity grew faster in agriculture than in industry, the reduction in industrial and agricultural product "price scissors" accelerated. However, from 1985 to 1988, because labor productivity grew faster in industry than in agriculture, the rate of that reduction slowed. In 1985 the overall index of industrial and agricultural product price parity was 95—a reduction of 4.1 percent from the previous year, while during the same time period labor productivity grew 22.7 percent in industry and only 11.7 percent in agriculture. The index of industrial and agricultural product "price scissors" was 104.4 percent, meaning that the "price scissors" had expanded 4.4 percent.

How are we to handle the issue of industrial and agricultural price parity? I feel we should reflect upon the following three principles: (1) Overall, the industrial and

agricultural product "price scissors" cannot be allowed to expand; rather it must continue to shrink and thus tilt industrial and agricultural price parity in a direction that will be advantageous to agricultural development. In arranging prices, at the very least we must ensure that agricultural prices increase to a greater extent than retail prices of industrial goods sold in rural areas. (2) The rate at which the industrial and agricultural product "price scissors" narrows should be coordinated with national conditions and strengths. If this narrowing occurs more rapidly than national conditions and strengths warrant, it will have a detrimental effect on the nation, on enterprise, and on consumers, and may also indirectly affect agricultural production. In approaching this issue, we must not be too eager for success or we may turn benefits into detriments and run counter to our lofty intentions. (3) We cannot rely solely upon increases in agricultural and sideline procurement prices to shrink the "price scissors": It is even more important to rely on growth in agricultural labor productivity.

Based on China's national situation, I feel that as we arrange price parity between agricultural products we must continue to insist upon a system focused on grain prices. This is because grain is unexcelled in importance to China's national economy and in people's lives. Focussing on grain has the effect of stabilizing grain production and preventing other agricultural and sideline products from making further inroads at the expense of grain. Since 1985 most commodity prices have been deregulated, price parities have been thrown into confusion, and some new problems have appeared in the process of state price-setting. All of these require further research before they can be solved. What must we do to make price parities between agricultural goods reasonable? Do we have any standard for judging whether price parities are reasonable? How are we to understand historically formed price parity relationships? For guiding future efforts it is crucial that we clarify these issues. People often say that cotton prices should be set based on a 1:8 price parity with grain. Some people, on the other hand, feel that this cotton-to-grain price parity is based on the relatively small unit area that cotton occupied at the time the parity relationship was determined, and that it should be revised to reflect changes in production costs and earnings. These questions all require serious study. One real problem we run into in calculating price parities is how to figure grain prices. I believe price calculation should reflect the true significance of the effects prices have on peasant production activity. It is unacceptable to compare only quota procurement prices, and it is equally unacceptable to compare only market prices; however, it is somewhat more reasonable to compare composite average negotiated prices.

### III. The Relationship Between Prices and Costs

Right now, in actual practice, aside from policy requirements and the supply and demand factor, the major factor we consider in setting price levels is production costs. However, to a certain degree, we can say that the

agricultural product costs we now survey are an incomplete reflection of production costs. For example, land is not factored in. A capitalist who purchases land for farming must consider the price of the land; likewise, although land is not a commodity in China, there are issues of development, investment, and compensation that pertain to arable land here. In reality, then, the question of price calculation does exist. In the past, figuring lumber costs involved only a calculation of harvest and transportation costs. The value of "standing timber" (that is, the cost of producing mature, unfelled timber) was not included. Moreover, how to determine the cost of production is a theoretical and practical question that perhaps should be studied closely.

### IV. On How To Work Out Regional Price Differences

Currently, state-fixed prices for many products do not vary much by regions. This applies to cotton and other staple agricultural products. But China is a vast nation: Natural and social conditions differ enormously from region to region and there are great disparities in production costs for identical items. From this perspective, there really should be some regional price differences. There are two current ideas about how to work out regional price differences: The first is to refer to the relative profitability of local production and figure regional price differences based on the production opportunity cost. Another method is to figure them based on production development potential. From a national perspective, I feel we should adopt the latter method because instituting a price slope may supply the nation with more commodities. In addition, there is one more prerequisite to working out regional price differences: The supply and demand situation must be relatively balanced. If there is a sharp conflict between supply and demand, regional price differences will be difficult to handle. Of course, we perhaps should also give serious consideration to the questions of how we will arrange product allocations, transfers, and subsequent product pricing; how we will make prices dovetail in neighboring regions; and how we will coordinate profit distribution between regions after we open the door to regional price differences.

### V. Macroeconomic Regulation of Deregulated Agricultural Prices

The deregulation of many agricultural prices had the positive effects of promoting production growth, stimulating the market, and fulfilling supply requirements. However, it also produced some problems, many procurement wars, and major price fluctuations. Market price fluctuations had a detrimental effect on production and peasant incomes. Low prices hurt peasants, and overly high prices also hurt them. Excessively high prices can lead to indiscriminate production growth, which then inevitably leads to lower prices, forcing peasants to reduce production and readjust their crop mix. This is a great waste of agricultural and economic resources and peasant labor. Consequently, we must enhance measures to regulate and control commodity prices no longer set

by the state. People are growing more cognizant of this as time goes by. The basic goal of regulation, control, and management is to ensure that prices remain essentially stable at a suitable level. This can establish the necessary economic conditions for sustained, stable growth in agricultural production. Experience tells us that if we wish to adjust the market we must have the necessary economic means and a certain level of fiscal strength behind us. In the past two years there has been large-scale inflation in grain prices, though prices for some varieties are now clearly declining again. Suitable reductions are entirely reasonable because price inflation was excessive in 1988 and 1989. However, dropping prices too low may hurt farmers. Fluctuations in hog prices present another classic example: The chief cause of these fluctuations is that state-run commerce has not really been playing a mainstream role in regulating the flow, guiding the market, or restraining market prices; so, because the market mechanism is imperfect, when the hog supply changes, people either over react or under react to supply and demand signals. Consequently, we must enhance macroeconomic means of regulation and control, and when necessary enlist the aid of administrative measures to do so. Some comrades do not understand why we must apply administrative measures. The problem is that for now we cannot do away with administrative measures because our market system is still immature and we have very limited financial resources. If we rely solely upon economic adjustments we cannot achieve our goals of stable production and stable commodity prices. The state cannot institute control over all products: We can only select those that have a relatively large degree of impact on urban residents, peasants, and the economy. Which commodities and regulatory and control measures to choose awaits further discussion.

In addition, there are many similarities between China's current agricultural pricing policies and those of other countries. We should earnestly review the situations in other countries—they are valuable references for us to examine. For example, the grain pricing policy followed in South Korea during the 1960's and 1970's was approximately the same as the one China is following today. Many countries use agricultural price controls as a major means of countering inflation. Moreover, a country's agricultural pricing policy is closely linked to its stage of economic development. Although the practical situation in each country differs, many common points will nevertheless exist as well.

It is crucial, both in theory and in practice, that we enhance our research on these issues.

### Ministry Plans Higher Per Capita Grain Supply

OW2912080590 Beijing XINHUA in English  
0737 GMT 29 Dec 90

[Text] Beijing, December 29 (XINHUA)—China is expected to increase the per capita supply of grain by 15 kg because of this year's record harvest, an official from the Ministry of Agriculture said today.

This means that China will have increased its per capita grain supply from 378 kg in 1989 to 393 kg, three kg lower than the national average in 1984, when the country's total grain output surpassed 400 million tons for the first time in history.

However, with the increase in population, decrease of arable land and five years' stagnation in grain production, the grain supply had been falling year by year since then.

To reverse this situation China is organizing mass efforts for agricultural development such as improving low-yielding land, reclaiming waste land and strengthening agricultural infrastructure construction, according to the official.

### Scientists Synthesize Cattle Growth Hormone

OW1701013991 Beijing XINHUA in English  
1543 GMT 16 Jan 91

[Text] Shanghai, January 16 (XINHUA)—The Shanghai Institute of Biochemistry under the Chinese Academy of Sciences has succeeded in efforts to genetically engineer a cattle growth hormone.

After being injected with the synthetic hormone, a cow will produce 30 percent more milk. The quality of the milk will also be improved.

Activity analysis by research units in Beijing and Shanghai showed that the arrangement of amino acids in the synthetic material is similar to that of the natural cattle growth hormone. The synthetic hormone can also speed up the growth rate of pigs, sheep and other animals.

Experts noted that the development of the synthetic hormone will produce significant economic results for the country's livestock industry.

### State Farms Register All-Around Increase

OW1901152491 Beijing XINHUA in English  
1312 GMT 19 Jan 91

[Text] Beijing, January (XINHUA)—China's state farms produced 29.1 billion yuan worth of agricultural and industrial goods in 1990, registering an increase of 74 percent over 1985 or 11.7 percent annually over the past five years.

According to the Ministry of Agriculture, state farms turned out 11 million tons of grain and beans last year, an increase of 61.2 percent over that in 1985 or 10 percent annually during the past five years.

Meanwhile, the average annual cash income of the workers on these farms amounted to 1,660 yuan in 1990, marking an 88.6 percent increase over 1985 or 11.1 percent annual increase over the past five years.

### Nov 1990 Exports of Cereals, Oils, Food

HK2112110790 Beijing CEI Database in English  
21 Dec 90

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and food in Nov 1990, released by the General Administration of Customs:

Name	Unit	Nov 1990	Nov 1989
Pig	head	223,438	247,521
Poultry	in 10,000	352	387
Beef	ton	5,436	2,212
Pork	ton	4,483	3,366
Chicken	ton	4,191	2,547
Rabbit	ton	1,157	2,247
Egg	in 1,000	64,966	53,359
Aquatic products	ton	42,482	30,079
Fish	ton	3,743	3,555
Cereals	ton	504,841	339,390
Rice	ton	50,442	18,683
Soybean	ton	39,081	96,094
Pulses	ton	56,088	48,947
Maize	ton	377,461	159,290
Vegetables	ton	108,794	87,017
Fruit	ton	30,056	48,280
Orange	ton	13,848	15,188
Apple	ton	6,929	18,292
Sugar	ton	1,500	65,810
Canned food	ton	42,973	37,011
Pork	ton	3,275	5,351
Vegetables	ton	27,004	21,237
Fruit	ton	9,578	7,589
Others	ton	3,116	2,834
Vegetable oil	ton	8,279	305
Peanut	ton	23,596	9,585
Cotton	ton	5,778	9,540

### Nov 1990 Cereal, Oil Import Statistics

HK2812112790 Beijing CEI Database in English  
28 Dec 90

[Text] Beijing (CEI)— Following is a list showing China's import volume of cereals and oils in November 1990, released by the General Administration of Customs:

Item	Unit	Nov. 1990	Nov. 1989
Cereals	ton	1,173,249	1,157,180
Wheat	ton	1,026,238	1,143,729
Soybean	ton	162	40

Sugar	ton	83,102	285
Animal oils and fats	ton	10,146	5,156
Edible oil	ton	153,773	156,624
Other oils	ton	147,300	82,479

### Export of Cereals, Oils in December

HK2201144991 Beijing CEI Database in English  
22 Jan 91

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and food in Dec. 1990, released by the General Administration of Customs:

Name	Unit	Dec.1990	Dec.1989
Pig	head	331,720	257,303
Poultry	in 10,000	618	407
Beef	ton	21,969	3,106
Pork	ton	19,013	4,690
Chicken	ton	1,411	6,595
Rabbit	ton	2,124	3,092
Eggs	in 1,000	69,200	41,758
Aquatic Products	ton	55,002	51,575
Fish	ton	7,621	5,564
Prawn	ton	7,230	13,769
Cereals	ton	881,694	859,710
Rice	ton	79,877	31,559
Soybean	ton	71,653	156,338
Pulses	ton	101,670	104,856
Maize	ton	579,448	496,764
Vegetables	ton	117,551	85,184
Fruit	ton	37,182	47,017
Orange	ton	25,639	31,245
Apple	ton	1,632	5,572
Sugar	ton	57,666	25,461
Canned Food	ton	63,885	55,802
Pork	ton	9,068	6,712
Vegetables	ton	38,572	37,254
Fruit	ton	11,092	9,133
Others	ton	5,154	2,704
Vegetable Oil	ton	3,278	25,615
Peanut	ton	29,831	17,076
Cotton	ton	6,818	2,172

**National Cotton Procurement***91P30065B Beijing JINGJI RIBAO in Chinese  
28 Nov 90 p 1*

[Summary] As of 20 November, China had procured 3,179,000 tons of ginned cotton, a 39 percent increase over the same period in 1989, and fulfilled 72.4 percent of the procurement plan.

**Anhui Harvest Increases, Farmer Income Drops***91P30065F Hefei ANHUI RIBAO in Chinese  
17 Dec 90 p 1*

[Summary] In 1990 gross output of grain in Anhui Province is estimated at 24,273,000 tons, an increase of 26,000 tons over 1989; cotton output 213,000 tons, a 25.3 percent increase; and oil crop output 1,289,000 tons, a 26.8 percent increase. There are 12,932,000 porkers in stock, a 3.7 percent increase over 1989, and 9,834,000 porkers were removed from stock, a 0.87 percent increase. The hybrid rice area was 14,300,000 mu, an increase of 2,500,000 mu over 1989; the hybrid corn area was 6 million mu, an increase of 1,500,000 mu; and the hybrid rape area 1,350,000 mu, an increase of 1,260,000 mu. From the first through the third quarter of 1990, the per capita cash income of farmers declined 20.6 yuan, or 5.2 percent from the same period in 1989. Deducting price increases, the actual decrease was 9.7 percent.

**Anhui Soybean Area***91P30073B Beijing NONGMIN RIBAO in Chinese  
26 Dec 90 p 2*

[Summary] In 1990 the soybean area in Anhui Province was 7,761,000 mu, a decline of 1,096,000 mu, or 12.4 percent from 1989.

**Hebei Agricultural Inputs Up, Productivity Down***91CE0146B Beijing JINGJI CANKAO in Chinese  
18 Nov 90 p 1*

[Article by reporter Bao Yonghui (0545 3057 6540) and correspondent He Dashui (0735 1129 3055): "Accelerate Spread of Science and Technology, Improve Investment Benefits; a Survey of the Benefits of Hebei's Agricultural Investment"]

[Text] Agricultural investment is seriously inadequate, but the lack of effective investment is alarming. We recently conducted a survey of the benefits of agricultural investment in Hebei and got a good sense of the potential in agriculture and the urgent need to reduce ineffective investment.

With the "heating up" of agriculture in the past few years, investment by all government levels in Hebei has constantly increased, but the economic benefits of agriculture have constantly declined. According to figures provided by the Hebei Agricultural Survey Team, from 1985 to 1989, material investment in Hebei agriculture

(namely planting crops, same below) increased on average 5.3 percent annually, but net value of agricultural production decreased on average 1.9 percent annually. The proportion of the value of net agricultural production as a part of the value of gross agricultural output declined 6.9 percentage points in five years.

The reasons for the severe downturn in the proportion of agricultural investment output are many-sided. Using large quantities of seed, mixing improved varieties and serious degeneration is one of the reasons. Currently, many peasants think that the more seed sown, the better. The results are quite the reverse and increased unnecessary investment. In planting wheat, for example, in the past they believed that "a large planting, a large stand, rely on the number of wheat ears for output" was the way to achieve high output. In 1989 the volume of wheat sown in the province averaged 15.7 kg/mu, causing weak seedlings, little tillering and heavy spikes, which later easily fell down and influenced output. According to experiments, wheat sown by both precision and semi-precision methods can achieve the goal of high production. In the sowing season, using semi-precision sowing, the quantity of seed can be kept to about 7.5 kg/mu, and calculated at 7.5 kg/mu, the province could save over 300,000 tons of wheat seed, which is 3.5 percent of the total 1989 wheat output.

Low effective utilization of chemical fertilizers is another important aspect of ineffective investment. There are some senseless things about fertilizer application structure in Hebei, i.e., putting more emphasis on chemical fertilizers than on organic fertilizers; putting more emphasis on nitrogenous fertilizers than on phosphate, potash and trace fertilizers so that the soil's organic cycle and reutilization rate is low. Most of the potential fertility in cultivated land is declining, the amount of cultivated land lacking phosphate, potash and trace elements is constantly expanding and this has become an important obstacle impacting fertilizer effectiveness. Many of the people in Hebei engaged in agricultural work feel that with hard work, Hebei's current 30 percent rate of effective use of chemical fertilizers can be raised to 40 percent. This can save the province over 130,000 tons of chemical fertilizer annually.

Unscientific use of chemical pesticides is another factor influencing investment results. Many peasants do not understand application methods for chemical pesticides very well. This results in unreasonable application of pesticides lowering their effectiveness. This is manifested as: 1) poor understanding of the proper timing of pesticide application. Pesticides should not be used before insect density has reached prevention standards and before disease damage to crops has resulted in economic losses. But peasants apply them when they see insects and this causes waste. 2) Excessive use of pesticides. When applying pesticides, afraid the insects will get sick but not die, they apply too much and consequently not only does the insects' resistance to the pesticide increase, but beneficial insects are killed upsetting the ecological balance and even damaging the crops.

3) Using a single prevention method. 4) Not using the correct pesticide. Different diseases and insects have different degrees of sensitivity to certain pesticides. There are even large differences in the sensitivity of the same group of diseases or insects to the same pesticide so that different chemical pesticides should be used depending on the different disease or insect. But some peasants use the same pesticide year after year without regard to the disease or insect, so it is hard for it to have the preventive results envisioned.

There is serious duplication in purchasing agricultural machinery and tools to make every farm "small but comprehensive." This wastes investment. Take irrigation machinery, for example. There are a total of electro-mechanized 712,400 wells in the province but there are more than 1,109,100 agriculturally used water pumps, or 396,700 more pumps than electro-mechanized wells. If every electro-mechanized well was dually-equipped, the province would have an excess of 325,100 diesel engines and 19,500 electric motors used for irrigation. Similar problems obtain with other agricultural machinery.

In terms of farm field irrigation construction, duplicate construction and little regard for conveyance systems and maintenance is an important factor impacting water conservancy projects effectiveness. In many places, once farm field water conservancy basic construction is started, all eyes are focused on the new construction and there is no concern whatsoever for conveyance and maintenance. According to a Xingtai region survey, the region currently has over 5,500 mechanized wells without conveyance systems and calculated at 15,000 yuan investment per well, this is equivalent to 82.520 million yuan of capital only for unproductive investment, just burying it in the ground. If these places continue not to stress conveyance systems, but continue to raise funds to dig wells, then this is equivalent to continuing to bury the money.

In addition to the above, ineffective investment in agriculture has increasingly attracted people's concern. They feel that it is critical now to accelerate the pace of applying agricultural science and technology to improve investment results. Hebei agricultural science and technology coverage now is less than 50 percent, and only about 30 percent of the overall benefits of agriculture come from science and technology advances. It will be very difficult to have larger increases in results by increasing just material investment with such a low level of agricultural science and technology.

#### **Henan Agricultural Price Problems, Reforms Reviewed**

91CE0176A Beijing *JIAGE LILUN YU SHIJIAN*  
[PRICE: THEORY AND PRACTICE] in Chinese  
No 11, 20 Nov 90 pp 36-40

[Article by Zhou Wenxin (0719 2429 0207) and Zong Changqing (1350 7022 7230): "Survey of Henan Farm Product Price Problems"]

[Text] Henan Province has scored outstanding achievements in farm product price reforms during the past 10 years, but because of the effect of the macroeconomic climate and the lack of coordination of price reform measure, numerous farm product price problems remain in need of solution.

First of all, a trend toward expansion of price ratios between industrial and farm products has reappeared. Comparison of 1989 with 1988 showed a 20.6 percent rise in retail prices of industrial products in rural Henan, a percentage increase greater than the 18.1 percent rise in agricultural procurement prices, the price ratio between industrial and agricultural products increasing 2.1 percent over the previous year. This was the third year since 1978 in which the price ratios between industrial and agricultural product prices expanded. The previous two years were 1982 and 1987 when the ratio increased by 2 percent and 3 percent respectively over the previous year. Since 1989, in particular, retail prices of industrial products have been consistently higher in rural areas than in cities and towns, increasing peasants' outlays substantially. Statistics show a 2.77 billion yuan increase in peasant income in Henan Province during 1989 resulting from an increase in procurement prices, but a 2.85 billion yuan increase in outlays resulting from a rise in prices of industrial products. This cancelling out of the positive benefits gained from the rise in farm product prices hurt peasant interest in production. At the same time, it also created a regression in the industrial and agricultural products price parity structure.

Second, the price ratio between state fixed prices and freed prices of agricultural products is unfair. This shows up prominently in the following: State-fixed agricultural product prices are a little too low, and freed agricultural product prices are a little too high. Comparison of 1989 with 1978 shows a more than doubling of fresh vegetable prices, a more than quadrupling of aquatic product prices, a 45-fold increase in prices of Chinese medicinal herbs, a more than doubling of fresh fruit prices, and a more than 10-fold rise in prices of some agricultural products. By contrast, the state fixed price of certain important products having a bearing on the national economy and the people's livelihood such as grain, edible oil, cotton, and sugar, took another nosedive. This led to a lopsided development of the farming structure. In some places, a peculiar situation occurred in which fruit trees began to be planted on flat land rather than in hilly areas, and mulberry tree plots were converted into fishponds. At the same time, state fixed contract procurement quotas for major farm products became difficult to fulfill, occasioning losses for the development of the economy.

Third, price ratios between different varieties and types of farm products were skewed. First, the price ratio between grain and other crops was inequitable. Taking the average price of three different grain crops as 100 yuan for 1989, net income from the farming of 1 mu of cotton figured in terms of post-price increases for cotton and edible oil was 199.44 yuan. This equaled income

from the farming of 2.82 mu of grain crops. Net earnings from the farming of 1 mu of oil-bearing crops was 94.33 yuan, an amount equal to earnings from the farming of 1.3 mu of grain crops. By comparison with cash crops for which all price restrictions were removed, the overly low earnings from grain farming were even more glaring. By comparison with other rural industries such as livestock raising and processing service industries, peasant earnings from grain farming were even lower. Second, price ratios between different varieties of the same kind of product were unfair. Take net earnings per mu from the growing of different varieties of grain, for example, which were 262.16 yuan for long-grained paddy, 79.99 yuan for wheat, and 126.90 yuan for corn. Earnings from the growing of long-grained paddy were 2.3 times again as much as from growing wheat, and more than double the amount from growing corn.

Fourth was too great a list price differential for different varieties of the same type of farm product. The fixed procurement price for wheat, corn, and paddy increased from an average 18.26 yuan per 100 jin in 1985 to 22.6 yuan in 1989 for a 24 percent rise. During the same period, however, the country fair market price rose from 20.83 yuan per 100 jin to 47.44 yuan for a 128 percent rise. The list price differential also increased from 14 percent in 1985 to 109 percent in 1989.

The overly large farm product price differential seriously hurt peasant interest in fulfilling fixed contract procurement quotas. Quite a few places had to resort to compulsory administrative measures to ensure fulfillment of fixed contract procurement quotas. Termed fixed contract procurement, these quotas were actually command style plans, which hurt state relations with the peasants. Furthermore, because of this, the state had no choice but to reduce the amount of fixed contract procurement year by year, using a large volume of procurement at negotiated prices to make up for the difference between its receipts and expenditures. This increased the state's financial burden. In 1985, Henan Province's fixed grain procurement quota was 11.5 billion jin. By 1989, it declined to 7 billion jin in a 39 percent reduction. At the same time, the amount of grain purchased at negotiated prices increased year by year. In 1989, Henan grain units alone purchased 7.75 billion jin at negotiated prices, more than the fixed contract procurement amount. A substantial portion of this grain purchased at negotiated prices was sold at parity prices in order to make up for the shortfall in the amount of fixed contract procurement, thereby increasing the government's financial outlays. Furthermore, quite a few departments engaged in the grain business made exorbitant profits in the name of exchanging negotiated price grain into parity price grain, thereby hurting the interests of consumers. It was from this practice that most grain unit price violations occurred.

Fifth is the inversion between procurement and sale prices of the main agricultural by-products causing a severe drain on the treasury. For example, take grain for which the state has several times increase procurement

prices since 1979 in order to increase peasant income. Despite these increases, in order to stabilize the standard of living of people in cities and towns, the state has not increased the sale price of grain to cities and some rural areas for the past more than 20 years, aside from raising some rural sale prices and instituting identical procurement and market prices. The inversion of grain procurement and sale prices has become increasingly serious. It has already gone from 6.11 yuan per 100 jin in 1980 to 10.52 yuan in 1989, including 12.04 yuan for wheat, 8.17 yuan for paddy, and 8.12 yuan for corn.

The disadvantages of the farm product procurement and market price inversion is extremely apparent. First, it has increased the state's financial burden, requiring tremendous state subsidization of agricultural by-products. In 1989, Henan province spent 930 million yuan on grain and edible oil price differential subsidies alone, or approximately 70 percent of the province's total price subsidies, which was somewhat more than one-tenth of all government financial outlays. Second, the rigid sale price restricts rational readjustment of procurement prices. Thus, every procurement price increase means a heavier government financial burden. Third, the too low sale price abets waste in the consumption area.

Sixth, agricultural production costs have risen greatly. In 1989, the cost in Henan province was 112.06 yuan per mu, up 60.03 percent from 1985. For corn, the cost was 71.88 yuan per mu, up 61.67 percent from 1985; for paddy it was 123.31 yuan, up 88.98 percent from 1985; for cotton it was 145.75, up 48.29 percent from 1985; and for tobacco it was 256.33 yuan, up 64.84 percent from 1985. The rapid and great increase in farm product costs is frightening. Such a great increase in farm production costs not only rapidly cancels out benefits from increases in farm product procurement prices, thereby reducing peasant income, but it spurs further rises in farm product prices.

The rise in farm production costs stems largely from a rise in prices of material and labor inputs into agriculture (including both inanimate and animate labor, the greatest effect coming from the rise in prices of the agricultural means of production. Between 1978 and 1986, prices of the agricultural means of production rose 25.7 percent, or an annual 2.9 percent per year in Henan Province. In 1987, they rose 14.1 percent over the previous year, 21.8 percent in 1988, and 16.8 percent in 1989. Figured in terms of statistics for national cooperative businesses, the adjustment of agricultural by-product procurement prices in Henan during 1989 increased peasant income by 631 million yuan, but the rise in prices of agricultural means of production alone amounted to 778 million yuan.

Seventh, the state is unable to exercise great macroeconomic regulation and control over farm products markets. This shows up in fairly chaotic control over farm product markets, government speaking with many conflicting voices, the raising of price barriers and local



restrictions, no nationwide unified farm products market coming into being. The second way it shows up is in the state lack of effective methods for regulating and controlling market prices of agricultural by-products. When market supply is short and prices rise sharply, ceiling prices become a formality; when goods accumulate in inventory and prices slide sharply, it is difficult to make floor prices stick. Goods and government financing is not available to regulate the ebb and flow, which makes the safeguarding of consumers' and producers' interests difficult, and makes the market extremely prone to fluctuations. The third way it shows up is in the enforcement of price policies. Some areas use state prescribed prices as a basis for concocting various pretexts for tacking on additional prices that increase farm product procurement prices in a disguised way. This leads to all sorts of wars over the procurement of farm products in very great demand, and it also results in efforts to talk down grades as a means of forcing down prices, and efforts to cheat and hurt the peasants.

Further straightening out of farm product prices is both the focus and the sticking point in the deepening of price reform. Concerted actions must be taken in all regards to accelerate progress in this reform.

During the Eighth Five-Year Plan price planning period, the reform of farm product prices should occupy a prominent and important position for the following reasons: First, straightening out of farm product prices is the key to the stable development of agriculture. Overly low farm product prices and a skewed farm product price structure not only restricts peasant investment in production and damages peasant interest in production, but also worsens the farm product mix, which hurts stable development of agricultural production. Agricultural production in China today relies largely on state policies and state investment. When the state gives it serious attention, agriculture flourishes; when the state neglects it, agriculture comes to a standstill. Self-investment in agricultural production is lacking, and the inherent mechanism in self-development leads extremely easily to fluctuations in agricultural production. One major factor restricting self-investment in agriculture is the overly low prices of farm products. In recent years, in particular, the rise in farm product prices has not kept up with the degree of rise in prices of industrial wares. Peasants have been unable to make ends meet, never mind increasing their investment in agriculture. Therefore, a proper increase in farm product price levels in the gradual implementation of the principle of the exchange of equal value of industrial and farm products will not only stir peasant interest in production for a solidification of the alliance between industry and agriculture, but also increase peasant accumulations to permit the gradual shaping of an inherent mechanism for self-investment, and self-development, thereby making it possible to put agriculture on the true path of sustained, consistent, and coordinated development.

Next, straightening out of farm product prices plays a crucial role in straightening out distortions throughout

the whole price system. The low state of farm product prices leads to high prices and strong profits for downstream products, which stimulates the headlong development of processing industries that use agricultural by-products as raw materials (small distilleries, small tobacco plants, and small cotton textile mills), creating, to a certain extent, comparative price imbalances for primary products and processing industry products. At the same time, in order to keep agricultural production stable for the time being, and maintain low farm product prices, the state has to use coercive administrative methods to hold down prices of inputs into agriculture. This leads to a distortion of the prices of agricultural means of production. As a result of the minuscule profits or even losses from production of the agricultural means of production in recent years, the state has had to provide large financial subsidies. Clearly, too low farm product prices militate against making prices of industrial products more rational in terms of both input and output. Further straightening out of farm product prices will not only help straighten out comparative prices of downstream products, but also will help straighten out their relationship to input prices, thereby providing the necessary premises and foundation for making the entire price system more rational.

Finally, the straightening out of farm product prices will help promote the healthy development of the entire national economy. First, it will help spur a rational readjustment of the industrial structure. By increasing farm product prices, some small processing industries that consume large amounts of energy and raw materials and have low returns will be forced to close, halt production, merge, or retool, or else increase returns and lower costs. Second, changes in both procurement and sale prices will help reduce the government's financial burden and increase investment in production. Third, the waste in consumption of farm products can be checked, which will help make the farm product consumption structure more rational.

Clearly, the straightening out of farm product prices is a conspicuous problem in urgent need of solution for further improvement of the economic environment and rectification of the economic order, and the deepening of price reform. However, solution to farm product price problems is limited by many factors that cannot be handled in a single step, but can only be gradually solved in a planned step-by-step way. This is because, first, farm products are basic products. If the dynamics of readjustments are too violent, a rise in grain prices will lead a rise in prices of countless things, and this will lead extremely easily to a chain reaction in other product prices causing market price volatility, which will hurt realization of price control objectives and socio-economic and political stability. Second, farm product price reform is limited by the state's financial capacity. State support for price reforms is fairly weak. Third, the reform of farm product prices has a bearing on millions upon millions of households. It has a direct bearing on the standard of living of the masses, and it is a sensitive issue requiring full consideration of the

masses' ability to bear it. Fourth, farm product price adjustments will increase costs for some processing industries, so the ability of enterprises to digest and absorb them must be taken into consideration. Clearly, farm product price reforms have a very wide bearing, so the pace of readjustments has to be moderate, and the dynamics are very difficult to master.

For these reasons, we believe that farm product price reform has to adhere to the following principles: First is adherence to a stable price policy, implementing farm product price reform plans in a step-by-step way, and limiting the rise in overall price levels that readjustment of farm prices engenders to the extent necessary to control objectives and within the tolerance of all quarters of society. Second is gradual implementation of the principle of exchange of equal value of agricultural and industrial products, narrowing the "price scissors," supporting agricultural production, lightening the peasants' burdens, and consolidating the alliance between industry and agriculture. Third is adherence to the principle of a combination of a planned economy and market regulation, making further rational readjustments in the percentage and pattern of state fixed prices, state guidance prices, and market regulation prices in the prices of farm products. This is a means of gradually building and perfecting a farm product price control system in which guidance prices are paramount, the state setting prices of a small number of important products affecting the national economy and the people's livelihood, most agricultural by-products and special native products being regulated by the market. Fourth is gradually straightening out of the farm product price structure, improving the procurement and market price inversion, and the overly large difference between list and market prices, as well as various distorted comparative price relationships for a substantial change in the irrational state of farm product prices by the end of the Eighth Five-Year Plan. Fifth, price, fiscal, wage, and tax reforms must be carried out in coordination, farm product price reform service as the focal point with reforms in all regards adopted in a comprehensive tackling of the problems to ensure that reforms yield results.

Our specific ideas about farm product price reform are as follows:

1. Focus on grain prices during the Eighth Five-Year Plan, gradually raising farm product procurement price levels, the price ratios of other farm products being planned on the basis of grain prices. By the end of the Eighth Five-Year Plan period, grain procurement prices should be raised to the prevailing market price, every effort made to narrow the difference between list and market prices. The price ratio between wheat and cotton may be set at 1:9, and the price ratio between cotton and silkworm cocoons set at 1:1.5, between wheat and tobacco at 1:3.7, and between hogs and corn at 1:5.5. Figured in terms of Henan Province's 1990 procurement plan, agricultural by-product price rise will total nearly 4 billion yuan during the Eighth Five-Year Plan, the price of grain increasing by an average 92.4 percent, of oil-bearing crops by 31.6 percent, and of cash crops by 42.82 percent. If this is done, the situation of

too great a difference between farm product list and market prices, and irrational internal price parities should be substantially eased. This plan must be implemented step by step over the next five years. In view of the lag [houqiao 0683 5062] effect of the price index, one year readjustment and one year digestion periods are envisioned, the readjustments being relatively concentrated in 1991, 1993, and 1995, while associated measures to ease conflicts in all regards are simultaneously taken.

2. Joint action on procurement and marketing for gradual solution to the problem of farm product procurement and marketing price inversion to reduce the drain on the national treasury. If procurement prices are raised, but sale prices remain static, the difference between procurement and sale prices of farm products will widen further, thereby increasing the government's financial burden. Further solution to the sale price problem will have a greater effect on the market; consequently, farm product price reform requires both procurement and sale price reform for the gradual realization by the end of the Eighth Five-Year Plan of common procurement and sale prices, or the preservation of capital with a slight profit. Thus, income derived from the increase in sale prices can be used to make up the outlays required as a result of higher procurement prices, thereby reducing the government's financial burden. We envision the following: The adoption during the first two years of the Eighth Five-Year Plan of a system whereby new accounts do not fall in arrears and old accounts are not repaid, sale prices being correspondingly raised when procurement prices are raised. The reduced sales of parity price grain and edible oil during the first several years should be used after 1993 as the basis for further clearing up old accounts resulting from the procurement-sale price inversion for city and town residents' grain and oil rations, and grain and oil for public agencies. By 1995, procurement and sale prices should be substantially the same, or a slight profit made.

The main impediment to joint action on procurement and sale prices is the tolerance of city and town residents. We believe that a new understanding of this issue has to be established first as follows: City and town residents' enjoyment for several decades of a parity price for grain and oil that is lower than the state procurement price is irrational. Not only does it violate the principle of exchange of equal value causing an increase in the state's financial burden, but it also abets waste. It is not good for the development of production. Second, it is necessary to realize that the possibility of common action on procurement and sale prices also exists. One factor is the decrease in the percentage of grain in total consumption outlays. In 1980, the annual per capita outlay for grain among city families in Henan Province was 16.4 percent of all living expense outlays, but in 1989 it accounted for only 9.3 percent of living expense outlays. Second, residents' incomes have risen greatly. Third, city resident current per capital monthly consumption of grain has declined from more than 15 kilograms during the 1950's and the 1960's to the present slightly more than 10 kilograms. Residents now have a substantial surplus remaining from their allotted

grain ration. Fourth, the reduced sales of parity price grain and oil during recent years have caused a great reduction in the amount of parity price grain and oil sales as a percentage of all grain and oil sales, so the effect on the market of joint action on procurement and sale prices is markedly less. Inasmuch as price rises in recent years have substantially increased the masses expenditures, open subsidies should be applied to a part of the public as circumstances warrant so as not to cause a decline in the public's real standard of living; however, the scale and the recipients of subsidies must be tightly controlled.

3. An elastic farm products price control system should be gradually established in which state guidance prices play the main role in accordance with the principle of a combination plan economy and market regulation. It is suggested that any future farm products price control system change the state fixed prices of some varieties and the market regulation prices of some others to state guidance prices for the gradual shaping of an elastic price control system in which state guidance prices are paramount, the state sets prices for a small number of important farm products, and most farm products are market regulated. (1) Procurement prices must be based on their historical level, procurement prices for principal farm products being drawn up for a year with consideration being given to possible change in the prices of key production elements during the following production cycle, and account taken of the price levels corresponding industrial and agricultural products. These prices should be published for the information of the peasants before production begins. In addition, these prices should be used as the basis for the setting of a reasonable degree of float as market supply and demand warrants, permitting market prices to adjust to the market within these limits. (2) Sale prices may also become lively after a period of stagnation, so procurement prices set once each year should be used to set farm product sale prices for different years, different regions, and different seasons, maintenance of basic farm product sale price stability forming the premise for fair compensation for the expenditure of labor in farm product business dealings. (3) Farm product prices that the market regulates must be controlled somewhat even while being free from restrictions. Necessary differential rate controls, profit rate controls, floor prices and ceiling price systems must be formulated for different circumstances, and plan guidance bolstered somewhat to prevent wild rises and falls in prices.

4. Separation of prices and taxes, straightening out the relationship between farm product prices and taxes. The prevailing national agricultural tax rate is far lower than the 156.5 percent allowed by law. In 1986, it was 7.4 percent, declining to 4 percent in 1989. The lowering of the agricultural tax rate was, in effect, a shift, meaning that an "open tax" on agriculture was shifted to a "hidden tax" expressed in fixed contract procurement quotas. It was hidden in the overly low farm product fixed procurement prices. This way of doing things not only diluted peasant awareness about paying taxes, but also bundled together price and tax relationships, which made for difficulties in

exercising the role of price and tax collection levers. Advantages from a separation of prices and taxes are as follows: (1) It can give full expression to the uncompensated nature and compulsory nature of state tax levies intensifying peasant awareness of tax payments. In addition, a modern upward readjustment of the agricultural tax rate within the limits that the law permits can provide the compensation and guaranteed financial resources that the state needs to increase farm product procurement prices. (2) It helps implement the principle of exchange of equal value, thereby help in the fulfillment of fixed procurement plans.

The steps in price and tax reform that we envision are as follows: (1) A separation of the farm product tax portion from the state fixed procurement price portion, the farm product tax portion being independently decided on apart from fixed contract procurement, the agricultural tax thereby becoming "open" rather than "hidden." (2) Simultaneous with the increase in farm product prices, the agricultural tax rate should be appropriately increased. Once the agricultural tax rate has been increased, the amount of actual tax receipts should increase; however the degree of increase and the total amount should be less than the degree and total amount of increase state fixed procurement prices. Peasant actual income after taxes and prices are sorted out should show substantial increase. (3) Further improvement of methods for levying taxes on agricultural and forestry specialty products, tax revenue levers used to balance the income gap that the farm product price ratio gap causes to make up for the inadequacy of price levers.

5. Reform of the farm product price subsidy system. Glaring problems exist in prevailing farm product price subsidies. First is too wide a range of subsidies; second is overly high subsidy standards; third is too much subsidy money paid; and fourth is too much reliance on hidden subsidies that the citizenry is not aware of. Simultaneous with reform of agricultural product prices, the state should gradually narrow the range of subsidies, suitably lower subsidy standards, strive to reduce the amount of subsidies paid, and attendant improvement of subsidy methods. We recommend the following: (1) Cancellation of grain price subsidies to vegetable-growing peasants, forestry peasants and peasants engaged in fishing who are able to sell their own products at market prices. (2) Cancellation of grain subsidies for varying degrees of strenuous labor and for industries. Instead the state can give production enterprises certain tax benefits. (3) Gradual decrease in the recipients of subsidies, changing from the issuance of subsidies to all city and town consumers to providing subsidies only to those receiving salaries and the needy. (4) Readjustment of fixed amount standards for the various parity price grain and edible oil subsidies that city and town residents enjoy, lowering them appropriately. (5) Subsidies should be changed from "hidden" to "open" in order to increase the transparency of subsidies and decrease the loss of subsidies. (6) The nature of subsidies should be gradually changed from the subsidization of living expenses to the subsidization of production operations.

6. Control of rural price increases, and further improving agricultural means of production price controls to stabilize agricultural production costs. (1) Strengthening of rural market price controls and increasing county and township ability to control prices to change the loss of control and semi-loss of control over rural market prices. (2) Make use of the main channel role of state cooperatives, making vigorous efforts to get industrial wares into the countryside and to clear channels for the flow of commodities between cities and the countryside. (3) Institution of preferential policies regarding funds, interest rates, tax rates, and transportation charges for the production and supply of industrial products that the peasants need in daily life and the agricultural means of production as a means of stabilizing the prices of these commodities. (4) Improvement of monopoly control over the agricultural means of production, strictly examining the qualifications of monopoly units. In the institution of an open system for transactions involving monopoly commodities that makes open all monopoly commodity plans (including quantity, quality, prices, procurement and marketing times and places, those from whom commodities are purchased and to whom they are sold, and methods), accepting supervision from the public. (5) Reform of agricultural means of production prices should take full account of peasant ability to bear them, gradual advances made through a number of small steps, progress lagging behind farm product price reform. Once farm product prices are straightened out, mechanisms should be chosen to straighten out prices of the means of agricultural production enabling a normal profit to be made on their sale and the cancellation of subsidies.

7. Further improvement of the economic environment and rectification of the economic order to enhance state macroeconomic regulation and control over farm product markets. Key points are as follows: (1) Adoption of effective measures to enforce price discipline, stamp out local autarky, sweep away "fences and walls" and price barriers obstruction of flow in farm product markets. (2) The increase in farm product prices should be accompanied by control of chaos, elimination of all additions to regular prices under various guises, subsidies in addition to prices, and various coupling policies. These factors may also be taken into account when adjusting farm product prices, making those that are reasonable a part of normal prices. (3) The state should better coordinate guidance on farm product prices under control of various jurisdictions, centralizing whenever necessary price control authority over farm products that involve large areas and have substantial effect, halting farm product price wars to maintain normal flow procedures. (4) Restructuring of farm product wholesalers, establishing farm product futures markets to stabilize production and sales channels. (5) A portion of the money obtained from increasing agricultural taxes and reducing government financial subsidies should be used to establish a farm product price regulation fund to make special payments to hold down market prices.

### Hubei Grain Loan Management Centralized

91CE0128A Chongqing TIGAI XINXI [SYSTEMIC REFORM NEWS] in Chinese No 17, 5 Sep 90 p 20

[Article edited by Luo Guohong (5012 0948 4767), Hubei Office of System Reform: "Hubei Institutes Centralized Management of Grain Loans"]

[Text] In the past, problems and conflicts arose in Hubei because the Agricultural Bank and the Industrial and Commercial Bank of China were each separately managing grain loans. To solve these problems, beginning in 1988 the Hubei Finance Department and the Hubei branches of the People's Bank of China, the Industrial and Commercial Bank of China, and the Agricultural Bank jointly decided, with the approval of the provincial government, to launch pilot reforms to centralize grain loan management under the Agricultural Bank in Laifeng Tujiazu Autonomous County and eight other counties and municipalities.

### I. The Scale of Transfers Was Clearly Stipulated

All grain and grain-oil enterprises in the grain system, whether in the commercial (including price negotiation, fodder grain, and food-oil companies), industrial, or storage and transportation sectors—in fact all enterprises involved with grain procurement, marketing, storage, transportation, or processing—were transferred to the Agricultural Bank and their credit management, account settlement, and other financial affairs centralized thereunder.

### II. Management Methods Were Selected Rationally

*The first method is direct management by the Agricultural Bank.* Prior to the transfer the Agricultural Bank would, in one lump sum, redeem an enterprise debt to the Industrial and Commercial Bank of China (such as a loan against deposits) and pay off its interest. Since the transfer, the Agricultural Bank exercises direct management and extends its own agricultural credit to enterprises.

*The second method is a combination of direct management and consigned management.* The Agricultural Bank acts as an agent to manage remaining debts owed to the Industrial and Commercial Bank of China. The Agricultural Bank is entrusted to collect interest at the designated rate and transfer it to the Industrial and Commercial Bank of China at regular intervals. Any new loans granted since the transfer are administered directly by the Agricultural Bank.

### III. Diverse Methods Have Been Adopted To Resolve Funding Problems

To ensure that the transfer goes smoothly, diverse methods have been adopted, with the support of the departments concerned, to resolve funding problems. Of the 76.93 million yuan in loans transferred, 11.36 million yuan, or 15 percent, has come from local People's Bank of China additions to Agricultural Bank base loans; 16.58 million yuan, or 21 percent, has come from People's Bank additions to Agricultural Bank interim loans; 20.66 million yuan, or 27 percent has come from short-term personal loans; and 28.33 million yuan, or 37 percent has come from the Agricultural Bank's own funds.

#### IV. Management Has Been Coordinated With All Possible Speed

After the transfer procedures were completed, the Agricultural Bank in each of these nine counties (and municipalities) sent out credit officers to garner ideas and requests from enterprises, examine and gain an understanding of the circulation and management of enterprise funds, and make suggestions that would help enterprises improve management and administration. In addition, credit management procedures and methods were promptly formulated. Coordinating management efforts guaranteed continuity in credit services and supervision.

We gained the following achievements by implementing these reforms:

*First, we clarified the responsibilities of the Agricultural Bank, increased administrative efficiency, and improved the supply of cash for grain procurement.* Once the Agricultural Bank took over sole management, the fulfillment of responsibilities, clarification of the situation, and rapid withdrawal from circulation of funds transferred from the county grain system improved the supply of funds for agricultural and sideline products. At the same time it increased the quantity of ready cash withdrawn from circulation and alleviated conflicts engendered by the rural supply of ready cash.

*Second, we increased the rate of fund utilization.* At the end of 1989 grain enterprises accounted for 1,081,350,000 yuan of the total circulating funds in these nine counties (and municipalities)—up 46 percent over the same period of the previous year. Of this, commodity funding accounted for 691.30 million yuan—up 45.83 percent over the previous year. The percentage of all circulating funds devoted to commodities had risen from 26 percent before the transfer to 64 percent after. Funds spent on settling accounts dropped from 40 percent before the transfer to 32 percent after. Growth in bank credit and commodity funding remained unchanged.

*Third, we improved the external conditions for grain enterprise management.* Since the Agricultural Bank has assumed sole management responsibilities, enterprises that experience difficulties can solve them promptly and any problems that crop up in enterprise management and administration can be handled quickly. The number of factors involved in settling accounts has been reduced, thus accelerating fund turnover.

*Fourth, we effectively enhanced bank services, management, and supervision.* Since the Agricultural Bank has assumed sole management responsibilities, its rapid, comprehensive, and specific understanding of enterprise management conditions has created an advantageous external environment for effectively providing services and implementing management and supervision.

#### Hunan Rural Savings

91P30065E Changsha HUNAN RIBAO in Chinese  
30 Dec 90 p 1

[Summary] As of 10 December, rural saving deposits in Hunan Province totaled 13.329 billion yuan, an increase of 3.584 billion yuan over the beginning of 1990. From January to November, the Hunan agricultural financial system allocated loans worth 8.303 billion yuan to support agriculture, an increase of 3.014 billion yuan over 1989. Hunan also provided 334 million yuan in loans to open up grain fields, transform low-yield fields, and support 45 "spark plan" and "bumper harvest" projects.

#### Hunan Autumn Crop Area

91P30065C Beijing JINGJI CANKAO in Chinese  
14 Nov 90 p 1

[Summary] By the end of October, Hunan Province had sown 30,310,000 mu of winter crops, an increase of 780,000 mu over the same period in 1989, and fulfilled 70 percent of the plan. The area sown to hybrid rapeseed exceeds 1.5 million mu, an increase of 500,000 mu over 1989.

#### Jiangxi Crop Area, Output

91P30065D Nanchang JIANGXI RIBAO in Chinese  
21 Dec 90 p 1

[Summary] In 1990 the grain area in Jiangxi Province was 55,513,800 mu, an increase of 106,200 mu over 1989. Gross output of grain is estimated at more than 16.5 billion kilograms, an increase of 700 million kilograms over 1989. The cash crop area totaled 13,029,400 mu, an increase of 2,788,300 mu over 1989.

#### Shanxi Grain Harvest

91P30073A Taiyuan SHANXI NONGMIN in Chinese  
4 Dec 90 p 1

[Summary] Gross output of grain in Shanxi Province in 1990 will reach 9.69 billion kilograms. In addition to procuring 780 million kilograms of summer wheat, Shanxi will procure 1.75 billion kilograms of autumn grain. Due to a serious lack of grain depots, the provincial government will invest 50 million yuan to build 250 million kilograms of grain depots.

#### Tianjin Grain Procurement Reform

91CE0146A Beijing JINGJI RIBAO in Chinese  
16 Nov 90 p 1

[Article by correspondent Liu Yankai (0491 1750 0418) and reporter Shi Jihuan (0670 4949 1403): "Tianjin Grain Procurement Reform Blazes New Path"]

[Text] How can we control grain and stimulate enterprises to reduce state subsidies? Tianjin's experience is: by reforming the existing system in which par value grain and oil are not centrally managed and which bears losses in

many areas and implementing a system in which par value grain and oil are managed uniformly and losses are reflected centrally, profit and loss are clearly separated, the economic relationships within the grain system are put in order, achieving the goals of improved grain management, ensured market supply, improved enterprise vigor, and realized economic and social benefits.

In the past, in Tianjin, 216 grain and oil storage and procurement and sales enterprises belonging to the municipal, regional and county grain bureaus always took responsibility for receiving, storing, buying and selling par value grain and oil and each enterprise calculated its profit and loss independently. Among these enterprises, frequently a single enterprise had both par value grain and negotiated price grain, dealt both in grain and oil as well as grain and oil products, and had both industrial processing and diversified management. Grain storage enterprises in particular were owners of both the grain and the warehouses. Under this system, such confused situations as negotiated price grain squeezing out parity grain, industry squeezing out commerce, and sideline business squeezing out mainline business frequently occurred. All of this shifted unreasonable losses onto par value grain and oil which increased the losses of parity grain and oil. This, in turn, increased financial subsidies and policy losses covered up losses created by management confusion in enterprises management.

In October of last year, the municipal government installed a new system of grain purchasing and marketing that changed the decentralized handling of par value grain and oil by 216 firms to monopoly management by a newly organized municipal grain and oil purchasing and marketing company and its regional and county branch companies. Losses are centrally reported by the grain and oil trading company. The 216 grain and oil storage and procurement and sales enterprises no longer bear the losses. They have all become agents of the grain and oil procurement and sales company for receiving, storing, purchasing and selling par value grain and oil, they draw expenses as provided, and are responsible for their own profits and losses. In this way, the mainline business is separated from the sideline business, profit and loss are clearly delineated,

grain and oil procurement and sales companies and their agent enterprises have established a relationship in which commissioner and agent, mainline and sideline, restrict each other and promote each other. This strengthened the centralized unified management of par value grain and oil and brought loss subsidies brought under control. In the past par value grain and oil were handled in a decentralized fashion. There was a variety of loans and deposits, and capital could not be used in a concentrated fashion. After the reform, par value grain and oil deposits and loans were all concentrated in the municipal grain and oil procurement and sales company and its branches. This facilitated not only financial and bank supervision, but also settling funds for centralized use. From January to October of this year, the grain and oil procurement and sales company system settling up deposits were 60 million yuan less than before the reform. This correspondingly reduced bank loans by 60 million yuan for an annual saving of nearly 5 million yuan in interest. The reform allowed the 216 sales enterprises to be independent accounting entities. Being responsible for their own profit and loss, grain and oil storage and sales enterprises became dynamic and vigorous. In the past it didn't matter whether they worked hard or not: the more grain they stored the greater the compensation. The employees were unwilling to store more grain, because to do so they would have to rent places to store it and that would increase expenditures. Now the more grain is stored, the more the enterprise earns. This benefits the state, the enterprise and the employees. Enterprise employees try to think of ways to accept more for storage. By the end of August, self-owned storage capacity par value grain and oil citywide increased 25 percent over the same period in the previous year—a new record. This guaranteed the completion of the grain delivery mission and market supply, and also reduced externally rented storage, which saved the state the loss subsidy. Since the state would no longer share enterprise losses, there were no grounds within the enterprise for the same situation so units continued to carry the reform deeper and obtained positive results. From January to September of this year, the 216 agency enterprises in the city earned a total profit of 72.01 million yuan, of which 47.70 million yuan was handed over to the state. The enterprise reserved profit was 24.31 million yuan, or a reserved profit of 1,282 yuan per person.

**Strategies Discussed To Further Reduce Illiteracy**  
*91CM0118A Beijing RENMIN JIAOYU [PEOPLE'S EDUCATION] in Chinese No 318, 4 Nov 90 pp 3-4*

["Summary" of speech by Wang Mingda (3769 2494 6671), vice minister, State Education Commission, at a national anti-illiteracy working conference; date and place not given: "Let Us Finish Our Historic Task of Eliminating Illiteracy Among Young and Middle-Aged People as Soon as Possible, by Displaying the Spirit of the 'Foolish Old Man Who Removed the Mountains'"]

[Text] As 1990 is International Anti-Illiteracy Year, I would like to point out that we in China have been forging ahead with our anti-illiteracy work year by year since the State Council issued its "Anti-Illiteracy Work Regulations" (hereafter abbreviated as "Regulations") in 1988, and have made particularly significant progress in 1990. Preliminary statistics show that, since September 1989, 7.159 million people from all areas have been involved in our anti-illiteracy campaign, and illiteracy has been proved to have been eliminated among 4.29 million people, which figures are 81.3 percent and 114.5 percent higher, respectively, than those for the preceding year. Although we have reduced our illiteracy rate from over 80 percent in the early days of the founding of the People's Republic of China to about 20 percent at present, China's battle against illiteracy is still a very formidable task, and we must definitely not slacken our efforts. We must take particular care to absolutely not slacken our anti-illiteracy efforts after the International Anti-Illiteracy Year is over. Rather, we must sum up our experiences conscientiously, continue to exert ourselves, and persist in paying close attention to anti-illiteracy work.

We have been able to make such great anti-illiteracy progress in 1990 mainly for the following particular reasons:

1. All levels of government have attached great importance to anti-illiteracy, acted conscientiously according to the spirit of the "Regulations," implemented the administrative leadership responsibility system, and taken practical steps to enhance their anti-illiteracy leadership. Most provinces, autonomous regions, and municipalities have set up anti-illiteracy leadership or coordination groups, many of which are personally commanded by leading government comrades. For instance, the governors of provinces such as Henan and Yunnan have personally signed government orders, issued "Measures To Implement Anti-Illiteracy Regulations," put into effect the anti-illiteracy administrative responsibility system, and implemented goal management. The government of Hebei Province has proposed to eliminate all illiteracy among young and middle-aged people, except for those in a few counties and townships, before its incumbency ends. The government of Gansu Province has signed peasant anti-illiteracy responsibility contracts with 22 counties that were 10,000 persons short of their anti-illiteracy goals, called for the basic elimination

of illiteracy among young and middle-aged people within two to three years, and has drawn up plans to basically eliminate illiteracy among young and middle-aged people throughout Gansu before the year 2000. Other counties have worked very practically and thoroughly at the grassroots level, establishing a dual responsibility system with their townships and villages. County government leaders have signed contract responsibility system contracts with township and village leaders, and county leaders have signed contracts level by level with the principals of key township schools and village grade schools, which set deadlines for completion of tasks. Contracted anti-illiteracy goals, responsibilities, tasks, and illiteracy-elimination deadlines have been included in and made key parts of yearend cadre appraisals. Schools that do not fulfill their tasks cannot win appraisals as advanced units, and their principals cannot win appraisals as advanced individuals. This has formed a new order in which everyone at all levels cares about and is responsible for elimination of illiteracy.

2. Concerned departments have acted in close coordination and unison. For instance, the All-China Women's Federation has held a Special Working Conference on Anti-Illiteracy Work Among Women, and established a "Women's Anti-Illiteracy Award," the CYL [Communist Youth League] has conducted a "Hope Project" to help children who have been deprived of education to start school, and the China Science and Technology Association has combined practical technical training with anti-illiteracy efforts. These actions have formed a good social climate in which to launch our anti-illiteracy campaign, and given our anti-illiteracy efforts a widespread social emphasis.

3. All areas have adhered to high anti-illiteracy standards, expanded schooling, reduced education gaps, and set up anti-illiteracy centers in villages. The elimination of villages without schools is a very significant reason why our anti-illiteracy campaign has grown so quickly in 1990. In particular, those places that have already met the basic criteria of the "Regulations" for eliminating illiteracy, are now proposing higher struggle goals. For instance, rural areas close to certain large cities that have already met 85-95 percent of their goals have been motivated by the new order during the International Anti-Illiteracy Year, to propose continuation of the anti-illiteracy campaign until every last illiterate is taught to read. Certain areas have also expanded the age range of their anti-illiteracy targets based on their local realities.

4. Our manpower, financial, and material investments have been increased. Many places have increased their anti-illiteracy staffs at all levels in the process of setting up and strengthening organizations, many other have given professional training to teachers and managers engaged in anti-illiteracy work, and some provinces and autonomous regions have allocated special funds or increased their outlay in support of anti-illiteracy despite their financial difficulties.



5. Emphasis has been placed on checking results before acceptance to ensure anti-illiteracy quality. Many provinces, autonomous regions, and municipalities have studied and formulated ways to check anti-illiteracy results before acceptance, in order to conscientiously enhance their anti-illiteracy quality control. Along with assigning anti-illiteracy tasks, some provinces and municipalities have assigned consolidation and improvement targets for when illiteracy has been eliminated in order to prevent its reoccurrence.

6. All areas have generally developed better anti-illiteracy teaching and reading materials. The State Education Commission [SEC] has organized the compilation by some provinces and municipalities of teaching and reading materials for the anti-illiteracy campaign and to set an example for continuing education after illiteracy is eliminated, the Central Educational TV Station and Jilin Province are compiling and taping anti-illiteracy educational TV videos, and some areas have also compiled special anti-illiteracy teaching materials for women.

In summary, although we have achieved heartening momentum in our anti-illiteracy work throughout China in 1990, which has laid a good foundation and created good conditions for the continued, steady development of future anti-illiteracy work, we must absolutely not overestimate our current anti-illiteracy achievements, and China is still faced with the following extraordinarily difficult anti-illiteracy problems: 1) There is still much illiteracy in China, with at least 2 million new illiterates emerging each year. In certain border regions and minority nationality zones, school entrance rates for children are low, and children who cannot start school are likely to become future illiterates. 2) Developments have been uneven in various areas. While most areas have done a good job, others have not, and some have even not paid enough attention to anti-illiteracy, not launched thorough anti-illiteracy campaigns, and have taken perfunctory approaches to the job. We still need to launch vigorous anti-illiteracy campaigns in these areas. Thus, we must emphasize the protracted and formidable nature of anti-illiteracy work and, like the foolish old man who removed the mountains, continue to dig away at the problem persistently. Therefore, I am calling for the following tasks to be accomplished:

**1. We must continue to enhance our leadership by emphasizing anti-illiteracy responsibility and striving to eliminate gaps at the village level in particular.** Although, in principle, we should launch anti-illiteracy campaigns in all areas in which illiteracy exists, in reality, there are certainly some border and mountain areas where primary education is still not universal that must be dealt with differently, treated realistically, and planned for in separate categories. All villages that can should launch anti-illiteracy campaigns, and we should investigate the cases of those that do not. The State Council has approved our decision to inspect anti-illiteracy work throughout China in 1990, and to commend those who are doing good jobs, and severely criticize those who are not.

**2. We must continue to mobilize all social forces to take an interest in supporting anti-illiteracy work.** As 1990 is International Anti-Illiteracy Year, we must launch a widespread anti-illiteracy propaganda campaign to truly encourage "all illiterates to begin to study, and all educated people to help teach them."

**3. We must pay particular attention to preventing new illiteracy and to consolidating improvements.** We must pay particular attention in our future work to preventing new illiteracy and consolidating improvements. Over 2 million new illiterates are now emerging each year, and the illiteracy relapse rate is even higher in some areas. The SEC has drawn up provisions, which clearly stipulate that grassroots education departments are responsible for ensuring that school dropouts under the age of 15 do not become new illiterates. We must take all necessary steps, including ideological education, administrative measures, and even legal steps, to prevent new illiteracy. Even grade and high school students can be mobilized to take part in anti-illiteracy work. Student participation in anti-illiteracy work by teaching their parents to read, will enable families to better support their children's schooling while helping children to understand that they are likely to become new illiterates in the future if they do not study hard now. In order to be able to teach their adults, children will have to study harder, which will certainly help to eliminate illiteracy. In order to consolidate our anti-illiteracy successes, we must conscientiously emphasize the following things: a) We must absolutely not slacken our efforts toward those who have just escaped illiteracy. b) We must give those who have just escaped illiteracy the opportunity to apply what they have learned. As they must be given an arena in which to continue their studies, all townships should set up township cultural and technical peasant schools. Even though there are now more than 33,000 such schools throughout China, there is still not one in every township. Although we should certainly not apply this indiscriminately in border districts, where measures must be suited to local conditions, we should encourage it in all qualified places in most densely populated areas; and grade-1 villages should also set up cultural and technical peasant night schools. Village cultural and technical peasant night schools can use ordinary village grade schools for Sunday study and evening school. As they will still need reading materials once they have an arena, we must focus our efforts on compiling books and periodicals suited to those who have just escaped illiteracy. Their content should include livelihood knowledge and production know-how, and introduce certain stories from literature, particularly familiar stories that have spread far and wide among the masses. Continuing studies for those who have escaped illiteracy must be closely coordinated with rural developments, training programs, such as "spark plans," "prairie fire plans," and "bumper harvest programs," and the women's "dual study and education" movement, in order to enable them to stay in constant touch with cultural knowledge and technical know-how through various activities, put



their reading and writing skills to use, and consolidate their anti-illiteracy successes.

**4. We must continue to adhere to ever-higher standards in carrying out anti-illiteracy plans.** The "Regulations" stipulate that the anti-illiteracy campaign is to be aimed at those between 15 and 40 years of age, and that an area with a nonilliteracy rate of 85 percent is considered to have basically eliminated illiteracy. So why are we now emphasizing higher standards again? Higher standards mean, first, that the upper age limit is not necessarily 40 and, second, that the literacy rate is not confined to 85 percent, in particular that an area cannot be considered to have basically eliminated illiteracy when its average literacy rate reaches 85 percent according to state plans. Why are we acting this way? We must approach this issue from the perspective of China's socialist modernization. China's upper age limit for eliminating illiteracy was 45 years of age in the 1950's, when the difficulties were greater than at present. Certain developing countries, whose economies are far inferior to China's, have higher upper age limits for eliminating illiteracy than ours. For instance, Ethiopia's is 49 and Thailand's is 50. Some Chinese provinces also now consider 40 too low, and have raised it to 45-50. As all of those in this age group are still a key part of the work force, their being illiterate has too big an impact on economic and social development. As experience in some places has proved that illiterates in this age group still want to learn, the upper limit should not be set at 40. Of course, we are not asking all areas to raise the limit, but only encouraging those that have basically eliminated illiteracy to raise the upper limit so that their progress does not stop.

As to the literacy rate, our calculation methods are also different from the international norm. International calculations of adult illiteracy rates use the total population over 15 years of age as the denominator, and the number of illiterates over 15 years of age as the numerator, to calculate the illiteracy rate. China currently uses the total population as the denominator, and calculates illiteracy only for those over 15 years of age. The larger denominator in this method makes our calculated illiteracy rate too low. It is projected that China's adult illiteracy rate would be almost 10 percent higher if calculated according to international practice. Thus, even in places that have a low percentage of young and middle-aged people, our overall illiteracy rate would not be undercounted if it were calculated according to international practice. The illiteracy rate for young and middle-aged people is calculated in many other places in China for a single county or province, which possibly conceals certain townships and villages, which have illiteracy that has actually not been eliminated. If these were averaged in for our entire country, would it not be possible that the 85 percent literacy rate for young and middle-aged people that China realized long ago might not really have eliminated illiteracy? This method of calculation is truly harmful to China, because it certainly conceals much illiteracy. Thus, as far as the long-range interests of our country and nationality are concerned,

we should emphasize higher anti-illiteracy standards, use the village as the calculation unit, and persist in making all illiterates who are capable of learning take part in our anti-illiteracy campaign.

**5. We must better study the anti-illiteracy issue, sum up our experiences, improve our methods, and raise our efficiency.** There are laws that govern adult literacy, how they are to become literate, and how to consolidate their achievements. As we have relied too much on experience in the past, we must study anti-illiteracy education in the future the same way we study grade and high school education. First, we must study teaching materials, including those needed to eliminate illiteracy as well as to consolidate the reading skills of those who have just begun to escape illiteracy. Some of our present teaching materials are too difficult and not progressive enough, and not only emphasize only learning to read per se, but also are dull and uninteresting. Teaching materials must be based on adult characteristics by combining political study with production know-how and life knowledge. Second, we must study anti-illiteracy teaching methods. Many well-known scholars and professors throughout the world have specialized in anti-illiteracy and, even though anti-illiteracy objects have very low levels of literacy, they need to be studied by high-level specialists. We must have more cooperative exchanges with the international community in the field of anti-illiteracy, take part in certain international cooperative projects, and draw on foreign experience. China's teachers colleges and adult education research institutes must also better study anti-illiteracy work.

In order to check and ensure the quality of anti-illiteracy work, our quality control standards must be strict, instead of being simply a matter of form. Although quality control and inspection are now being carried out very conscientiously according to the "Regulations" in most areas, other areas are simply going through the motions, treating it as a matter of form, and even resorting to deception. This cannot be allowed and, when discovered, must be punished severely. Treating quality control as a matter of form wastes national financial and manpower resources, and infringes on the interests of illiterates, who waste time and energy without learning. All areas must coordinate with their local conditions and study ways to enforce the "Circular on Further Ensuring Anti-Illiteracy Assessment and Quality Control," which was issued by the SEC. We must put a little more emphasis here on the issue of anti-illiteracy statistics by bringing adult education department statistics more into line with education department statistics, in order to avoid adverse effects. Unless statistics are practical, realistic, and checked scientifically, their inaccuracy will affect work plans.

**6. In order to ensure that future anti-illiteracy work is raised to a new plane, we must use various methods and formulate certain relevant policy measures to obtain anti-illiteracy funding.** In addition to the anti-illiteracy funding provided by the "Regulations," we could take steps, such as setting up anti-illiteracy funds that the

masses are partly responsible for, in order to broaden our anti-illiteracy funding channels. We must also enhance and coordinate our policy guidance with local conditions, by taking a series of feasible and acceptable policy steps to encourage illiterates to study.

In summary, I hope that, based on our existing successes, you comrades will continue your efforts, take advantage of the excellent momentum that we have achieved in 1990, display the spirit of the foolish old man who removed the mountains, and strive unremittingly and ceaselessly to complete as soon as possible the historic task of eliminating illiteracy among China's young and middle-aged people.

### **Political Apathy Prevalent Among Some Workers**

91CM0183A Beijing SIXIANG ZHENGZHI  
GONGZUO YANJIU [RESEARCH IN  
IDEOLOGICAL-POLITICAL WORK] in Chinese  
No 11, 8 Nov 90 pp 38-39

[Article by Chinese Machine Building and Electronics Industries Study Association: "A Problem That Will Brook No Neglect—Survey of the State of Worker Ideology on the Front Line in the Machine-Building and Electronics Industry"]

[Text] During the first half of 1990, our association conducted a survey of the quality and zeal of workers in the front line of the machine-building and electronics industries today. It surveyed more than 160 enterprises covering 28 provinces, municipalities, and autonomous regions throughout the country involving 130,000 front-line workers.

Overall and essentially, the mainstream of front-line workers in the machine-building and electronics industries is good with a stable work corps. They have the cardinal principles in mind and take the overall situation into account; and they both breathe in harmony and share a common fate with the country and enterprises. They have proved themselves to be the bedrock for political, economic, and social stability, and they are a main force in the building of socialist material and spiritual civilization. However, the survey also brought to light rather conspicuous problems of high turnover and not very high zeal among front-line workers in the machine-building and electronics industries. This must be given a high degree of attention.

### **Apathy Toward Politics, Vague Ideology, and Confused Convictions of Some Front-Line Workers**

This written questionnaire survey found 40 percent of workers in the front line of the machine-building and electronics industries as not caring about and not being interested in national affairs and political issues. They felt that workers were required to do a good job and nothing more. Some workers, particularly young workers, did not want to take part in political indoctrination, did not want to join the party or the Youth

League, and did not want to be progressive. It is noteworthy that not only did the individual political apathy of the aforesaid "three not wants" exist in the work groups and teams of quite a few enterprises, but a group passivity of "being content to remain average" also appeared. These groups and teams "just wanted to get by and not strive to get ahead," and individuals in teams also did not want to excel. They criticized being out in front and practiced "taking turns." Although such passive group thinking was not the mainstream among front-line workers, it should arouse a high degree of serious attention nevertheless.

Some young staff members and workers had been influenced by bourgeois ideology, and either enjoyed or followed a bourgeois outlook on life. A survey of some enterprises showed that 67 percent of young workers believed that "the most important thing in life is family and love." Six percent of the workers in some enterprises held the credo "every man for himself and the devil take the hindmost." Of the 10,000 people surveyed in the questionnaire, 15.6 percent wrote that "the goal of work is to make money." This was an 11.3-percent rise over the 4.3 percent found in the 1982 CPC Secretariat Research Office survey. Some youths blindly admired the West, considering anything foreign wonderful. In some businesses in coastal areas, "going to live and work in a foreign land (export of labor services) was all the rage. Some plants showed that 47.9 percent of young workers vied to do this. This situation shows that efforts on education and to help industrial workers establish a correct view of life and values is an important component and an urgent task in current ideological and political work.

The data from the 10,000-person questionnaire survey also showed that some workers on the front line in the machine-building and electronics industries lacked strong confidence in the party's leaders and the socialist road. Sixteen percent of workers approved of "China's trial of a multiparty system," and 1.1 percent of workers "do not approve of the leadership of the CPC"; 14.4 percent of workers believed that "so long as modernization can be realized, any 'ism' is all right"; and 3.6 percent of workers felt that "China made a wrong choice in taking the socialist road." Additionally, 6 percent of the front-line workers in one enterprise believed in religion. The foregoing data, for various limitations and reasons, may not fully reflect the true ideological understanding of staff members and workers; however, it does accurately reflect the degree of muddled political ideas and lack of firm political convictions of some front-line workers. It tells us that the influence of the bourgeois liberalization trend of thought on young workers cannot be underestimated.

### **General Existence of a Sense of Loss Among Front-Line Workers of Their Position as Masters in Their Own House**

In this survey, the sense of loss among front-line workers of their position as masters in their own house showed

up extraordinarily strongly. Moreover, this sense of loss was an inherent reason for the low interest of front-line workers in politics, work, and political study. In the 10,000-person questionnaire survey, only 47.4 percent of front-line workers felt that they were the masters of the country and of their enterprise; 27.2 percent felt workers' social position was low; and 20.4 percent felt that only "in certain regards was the position of workers as masters expressed." The sense of loss among front-line workers of a position as masters in their own house was reflected in three ways, as follows:

1. A sense of loss of political position. During a period of time, the percentage of industrial workers in People's Congresses at all levels became increasingly low; newspapers and magazines publicize the progressive image of industrial workers less and less; and entry into the party of industrial workers and promotion to cadre are increasingly difficult. "Currently, 8.3 percent of workers on the front line in the machine-building and electronics industries are party members. This is half the 17.9 percent found in the 1982 CPC Secretariat Research Office survey. In some enterprises, only 3-4 percent of front-line workers are party members. It is common in the machine-building and electronics industries for factory teams and groups to have no party members at all. In some enterprises, more than 40 percent of teams and groups are entirely without party members. The too-low number of party members among front-line workers directly impairs the flesh-and-blood relationship between the party and the masses.

2. A sense of loss of economic position. The fairly longstanding problem of unfair social distribution has caused front-line workers to harbor an unbalanced viewpoint that "it is better to work in a collectively owned rather than a state-owned enterprise, and it is better to work in a privately owned rather than a collectively owned enterprise." This results in a feeling of oppression about "the guerrillas having crowded out the regular army." Many workers said that, formerly, "workers, peasants, and businessmen learned from soldiers," the older generation occupied the front ranks, and to be a worker was to have a sense of pride and a sense of honor. Nowadays, "the older generation is sidelined" politically and economically, and they feel dejected. Some workers said that "today we have no alternative to being workers; our next generation positively cannot be workers."

3. A sense of loss of democratic rights. The present structure of front-line workers in the machine-building and electronics industries may be characterized in two ways: First is the increasing percentage of young people, which is generally 60 percent or more. The second is an ever-higher educational level. The number of those with primary school or higher education increased from 76.6 percent in 1982 to 88.3 percent. Young workers universally possess a strong democratic sense and a sense of participation, but because the democratic administration system within enterprises is not well developed, and since quite a few of the staff member and worker representative assemblies in enterprises simply go

through the motions, the degree to which front-line workers take part in the management of enterprises is not uniform. In the 10,000-person questionnaire survey, 32.2 percent of workers termed "undemocratic management" the main reason affecting their zeal. Some workers said, "If you treat me like an ox, I'll damn well fight you, but if you treat me like a person, I'll willingly be an ox." When the survey asked workers, "During what time do you feel the role of the workers as masters was greatest," 60.4 percent answered during the 1950's, and only 5.2 percent answered during the 1980's.

The reasons for the inability of front-line workers in the machine-building and electronics industries to bring their enthusiasm into full play, and for the decline in the enthusiasm of some front-line workers for politics, labor, and political study are varied and complex. There are both macro-reasons and micro-reasons. In the 10,000-person questionnaire survey, the workers felt the most vexing problems in order of precedence were as follows: bad party spirit and social atmosphere, 54 percent; price problems, 32.7 percent; social order problems, 15 percent. In order of precedence, the problems impairing front-line workers in enterprises were: unfair distribution, 41.9 percent; undemocratic management, 32.2 percent; and poor relations between cadres and the masses, 12.2 percent.

In this survey, party and government comrades in charge in enterprises and political work cadres offered many fine suggestions about how to institute policies for wholehearted reliance on the working class for further arousal of the enthusiasm of industrial workers.

First was better theoretical research on the Chinese working class. Use of Marxism-Leninism and Mao Zedong Thought as guidance in calmly reexamining historical experiences and their lessons, and scientifically validating the position, role, mission, and characteristics of the Chinese working class in the new historical period, the whole party's understanding of the Chinese working class thereby being put on a scientific theoretical foundation and bolstering political consciousness and determination to carry out wholeheartedly the guiding policy of depending on the working class.

Second is the formulation of a series of associated policies to ensure wholehearted reliance on the working class. Since the Fourth Plenary Session of the 13th party Central Committee, both the Central Committee and the State Council have further solved the problems of workers entering the party, promotions to cadre, selection as labor models, and evaluation as technicians, using previous policies as a basis. Recently, they also approved implementation of "Worker Evaluation Regulations." These policy measures have been generally well received in enterprises. Everyone hopes that these measures will be used as a foundation for further summarization and improvements to shape a series of associated stable policies that create fine external conditions for

industrial workers' realization of their historical mission and responsibilities as masters.

Third is further implementation of the "Decisions" of the Sixth Plenary Session. The "Decisions" of the Sixth Plenary Session have gained the support of people throughout the country, and have scored initial results. However, the masses of workers remain dissatisfied with improvement in relations between the cadres and the masses and the party and the masses. Everybody hopes that the Central Committee will take firm grip on implementation of the "Decisions"—by planning, checking, examining, rewarding, and punishing. It must produce results to gain the confidence of the people.

Fourth is the infusion of communist ideology into industrial workers, conducting education in the building of a distinctively Chinese socialism, with particular emphasis on the ideological and political education of youth. This was an important topic raised in the 1982 Central Committee Secretariat Research Office *Survey Report on the Working Class in China at the Present Time*. The situation found in the present survey shows an urgent need for the education of industrial workers, particularly young workers, in five regards, as follows: 1) education in adherence to the party leadership and the socialist road; 2) education in the working class outlook on life and value concepts; 3) education in the historical mission and the sense of responsibility as masters of the working class; 4) education in the fine tradition of the Chinese nation and the working class; and 5) education in vocational ethics and social morality. Education must be genuinely carried out at the grassroots level.

### 'Self-Destructiveness' Seen Permeating Society

#### 'National Tragedy'

91CM0143A Shanghai SHEHUI [SOCIETY]  
in Chinese No 21, 20 Nov 90 p 36

[Article by Wu Shishan (0124 0013 1472): "Self-Destruction, a National Tragedy"]

[Text] In the history of the Chinese nation, there have been countless tragedies, such as foreign harassment and internal strife and the masses living in dire poverty. The Chinese people had a difficult time holding out until the establishment of the New China and the arrival finally of peaceful days. But the good times did not last. The expansion of the antirightist campaign, natural and manmade calamities, "the Great Cultural Revolution," and one campaign after another made it impossible to endure. After the Third Plenary Session of the 11th CCP Central Committee, there were no more campaigns. Nonetheless, it seems as if people have gotten used to becoming "career campaigners" and gotten used to activities which are "perpetually at odds with their pleasures." The large campaigns may be no more, but the little ones are constant. Being paraded through the streets wearing tall paper hats may have been abolished, but the petty actions of harming people on the sly,

bringing unjustifiable pressure to bear on others, informing on people, and exploiting someone's shortcomings are flourishing. People are trying to do each other in for their own mutual benefit or even for no reason at all. They spare no resource and no effort to effect their own self-destruction. To a certain extent, we can regard self-destructiveness as a type of "leftist" or rightist campaign. We can consider it a new mutation of these campaigns under new historical conditions. At least with respect to their results—such as the senseless expenditure of a large amount of people's energy, the constant precautions against others, and the reduction in the tempo at which society operates—there is a similarity.

This writer has no intention to seek out the origins of self-destructiveness or provide its scientific definition. These things have already been done. We only want to analyze the results it has wrought.

Self-destructiveness is one of the abnormal manifestations of society's operating mechanisms. In this situation, individuals are often helpless. It is the individual who manifests it, but essentially, it is not the individual who is responsible. This is because self-destructiveness has become a form of daily activity for people, it has become a means by which they strive for social benefit, and it is a channel through which they express the value of their existence. Only by forming certain social relations can mankind extract wealth from the natural world. Yet, in our society, people involved in groups are constantly engaged in self-destruction and, as a result, greatly weakening the strength of the group. This can be compared to using iron wire for the transmission of electricity; the loss, of course, is enormous. If weakening group strength is only an isolated phenomenon, then it is not a great problem. But the fact is that it is a widespread social phenomenon that saps the morale of society's members and undermines society's cohesive force. In addition, it also leads directly to a loss of mutual trust between members of society (whether they recognize it or not), to a loss of a sense of responsibility among members of society, and a lack of love and even the most rudimentary feelings of humanitarianism. Apathy, indifference, and lack of sympathy all seem to have become widespread. Even though self-destructiveness is only a form of "contact" that people within a group have with others with whom they are acquainted and constitutes a struggle between members of a group, does its "ideology" requiring that others be treated as personal foes and enemies rather than as collaborators and friends not properly and promptly extend to "general acquaintances" in society? Are not apathy, indifference, lack of sympathy and love, lack of humanitarianism, and the loss of a sense of morality and a sense of responsibility what self-destructiveness properly means and the specific "qualities" needed to effect it? When people think about these things, they should realize the danger of self-destructiveness. It can be localized, just as liver cancer is localized. However, even though liver cancer starts in the liver, it can spread. Self-destructiveness is

also like that. It too can spread. The parts of the social organism that are corroded corrode people's nerves and brains, causing changes in their social behavior and making them fearful and difficult to comprehend. Looking at society as a whole, self-destructiveness is not confined only to disputes within groups. It has now become a form of mass contact—abnormal behavior that is "normal." It deprives people of their will, their morale, their magnanimity, their nobility, their spirit, and their purity. It is the enemy of everything decent in mankind. It prevents people from seeing hope and the future and prevents them from seeing life's prospects and its meaning.

In sum, self-destructiveness is not merely an evil associated with small groups, it is the morbid condition of our entire society. It is not limited to interactions between mutual acquaintances. It has now permeated various aspects of our entire social life. If we lose sight of this, there is no point in talking about a greater and deeper understanding of self-destructiveness and we will be unable to reveal its true danger. It is precisely because of the extremely negative and pernicious influence brought by self-destructiveness to our entire society and to all its members that we confidently declare it to be our national tragedy. There has never been a country and never been a time with such alarming self-destructiveness as we now have. Self-destructiveness is not a struggle with the glint and flash of cold steel. It is a "campaign" lacking in the tumult of gongs and drums. It will gradually deprive our nation of its vitality, a quality which is already in short supply.

The various types of tragedies that have occurred to the Chinese nation down through history have all concluded in various ways. However, we still do know when and in what way our tragedy of self-destructiveness will end. We await that day.

When we no longer see mothers standing in buses holding their babies in their arms, when we no longer see trash scattered about in public places, when we no longer have to struggle to earn 5 yuan, when our faces are brimming with sincerity and with kindheartedness and full of natural laughter,... then we can rest assured that self-destructiveness will have vanished, or at least will have greatly receded. We await that day.

#### Within Groups

91CM0143B Shanghai SHEHUI [SOCIETY] in  
*Chinese No 21, 20 Nov 90 pp 34-35, 37*

[Article by Wen Xianliang (2429 3759 5328): "Self-Destructiveness Among Groups"]

[Text] What is group self-destructiveness? It is defined as the members of a group, for various reasons, using their power to weaken or wear each other down, thereby creating situations in the activities of the group where the overall power of the group is less than that of the members.

#### 1. The Causes of Group Self-Destructiveness

How is group self-destructiveness formed? The phenomenon of group self-destructiveness invariably is produced by a certain economic formation. In an antagonistic class society, group self-destructiveness derives from the basic nature of the means of production in a private ownership system. In the struggle between groups, the goal is the accumulation of capital goods to transform one's own social position. Internal struggles, such as for the imperial throne, for official posts, for the authority of office, and for family property are all linked to wealth or to transforming one's economic position.

In a socialist society where private ownership has been abolished, the structure of the driving force behind group self-destructiveness is at two levels, the individual and the collective. The needs that govern the individual level are divided into the material and the spiritual, and they can form the motive force of group self-destructiveness. However, we have to recognize, in a socialist society, the commonality of individual and collective needs. Thus, some of the motive force behind group self-destructiveness is stimulated by individual needs and some by small group needs. In China today a small amount of unit self-destructiveness is mostly interrelated with the interests of small groups and small factions. For example, a cadre who is an office chief or county head might want to be reelected or change jobs. Although the possibility of this occurring will lead to certain hopes and expectations as far as his individual interests are concerned, and this will be revealed in his speech and behavior, what really causes the self-destruction is not the individual himself. It is rather those subordinates who rely on him for their earnings. They are anxious because it will harm their interests if the office chief or county head changes jobs. Consequently, they often vigorously attack or are on guard against those who might rise to power as well as their supporters. Likewise, an office chief or county head who has no desire for power could be instigated by his supporters into unintentionally taking part in a self-destructive fight. This is how, in a socialist society, group self-destructiveness emerges from the interaction and interplay of individual and small group interests.

#### 2. The Kinetic Energy of Group Self-Destructiveness

It should be noted that, with respect to group self-destructiveness, the individual and the small group are not always solely pursuing their own narrow, individual interests. For example, looked at from a national perspective, the civil war between the Kuomintang and the Communists was a form of self-destructiveness. However, the Communist Party was pursuing the emancipation and liberation of all working people. It was not for the selfish interests of a single clique. This shows that the two sides to self-destructiveness have different qualities and goals. Consequently, we cannot treat the two sides of the contradiction in the same way. Today, if a group of comrades who are honest in performing their public responsibilities take it upon themselves to expose a small

number of persons in their unit who are engaging in corruption, and if they recognize that doing this will weaken internal solidarity and dissipate internal strength, this also belongs to the category of self-destructiveness and is mistaken. There is both essential and nonessential self-destructiveness. For example, the strength used up in combatting internal elements who are corrupt and hostile constitutes essential self-destructiveness. However, when comrades intrigue against each other over issues that do not concern principle and attempt to undercut each other and refuse to support each other, that constitutes nonessential self-destructiveness. What we are opposed to is self-destructiveness that imposes a social burden, such as harming the interests of all of society, the entire state, and all the people. We are not against those internal confrontations of ideas and organizational activities which are engaged in to purify the ranks, rectify organizations, and make uniform readjustments. Although the energy expended to make internal rectifications is also used up internally and cannot be directly expressed as energy derived from the pooled efforts of the group, it can be regarded afterward as having the function of enlarging and moving forward the energy of the group, and it can be used afterwards to supplement the energy of the group.

It is not hard to see from the above analysis that, during the period of socialism, group self-destructiveness is not only derived from individualism that has been influenced by the concepts of private ownership but also from collectivist thinking governed by the ideas associated with public ownership. We cannot, therefore, simply regard all those who engage in self-destructiveness as selfish or as scrambling for power and profit.

### 3. The Structure of Group Self-Destructiveness

At present in China group self-destructiveness can roughly be differentiated into the categories of cadre versus cadre, cadre versus the masses, and young versus old.

Cadre-versus-cadre self-destructiveness means cadres in a group weakening each other. It is the principle form and is at the core of group self-destructiveness in China and is also the most dangerous and widespread type of self-destructiveness. It first came into being during the "strivings of officialdom" in feudal society. In order to guard against the disloyalty of persons within the ruling group, feudal rulers would place their trusted followers in key positions to win over one clique to guard against another or to encourage subordinates to take credit for the achievements of their superiors. This created a group atmosphere of competing for loyalty and of watching over one another and achieved the dual purpose of buying the support of the running dogs and preventing stubborn and intractable elements from rebelling. The rulers of all later class antagonistic societies mastered this technique of divide and rule. In addition, with respect to personnel placement, the feudal ruling class cadre selection system of appointing only relatives and

close associates led inevitably to the overly ambitious doing their utmost to ingratiate themselves with the boss. Once in power, they would do their utmost to oppress colleagues who earlier had failed to support them. They would use every possible means to "climb to the top on the heads of others." This is the origin of cadre-versus-cadre self-destructiveness.

Cadre-versus-cadre self-destructiveness under the socialist system has its origins in individualistic ideas of cadres themselves worrying about personal gains and losses. This leads to the formation of cliques, discrimination against outsiders, and attacks on colleagues. It also has its origins in the incorrect attitude of superiors toward subordinates. For example, lower ranking cadres are sometimes carelessly criticized or praised or their achievements are carelessly affirmed or negated without a clear understanding of their situations. This leads to a lack of respect on the part of the lower ranking cadres and causes them to be jealous of one another. The unfair distribution of rights and benefits and unequal competition give rise to cadre-versus-cadre self-destructiveness. For example, when evaluating the work of two shops which have differing material bases and personnel qualifications, if only the results at hand are considered and a competitive "starting line" is not established to determine whether there are differences or not, then those starting an undertaking under difficult circumstances are made to suffer. This leads to dissatisfaction and contention among those treated this way, thereby causing self-destructiveness. Serious consideration should be given the cadre-versus-cadre destructiveness brought about in recent years by the revival of feudal patriarchal thinking and the networks of connections through female relatives. Cliques or groups based on connections through the relatives of the wives have been formed in a small number of regions where they control a unit, a group, or even a region and stifle the cadres and masses who do not belong to the networks. The influence of the networks is quite broad, and the harm they do relatively great. They create a situation where it is difficult to totally enforce party and government policies and laws. This constitutes the greatest hidden source of cadre-versus-cadre self-destructiveness in China. In some units, it often happens that a certain cadre will stir up another cadre's small knot in the network of connections based on female relatives, thereby causing intrigues against one another and leading to opposition throughout the network. Because of the contradictions between individuals, this can lead to fighting among the wives' relatives or to factional fighting, thus weakening the entire contribution made by the group to the socialist cause. We must make clear that the factions we are discussing are not the same as the factions that existed during the Cultural Revolution. These are groups of a lower culture. Today's factions do not have an organization or a program. They band together naturally because of their cultural ideas and common interests, imperceptibly using a person of certain authority or appeal as the focal point. Factions of these types are not hard to find in China today. A small number of units are superficially

whole but secretly harbor certain "small circles," which become visible when it comes time to promote cadres, hold elections, designate ranks, raise wages or carry out other activities which affect the interests of the individual or the group. It is then that they engage in group self-destructiveness.

Cadre-versus-the masses self-destructiveness means the weakening of strength that is created by the mutual struggle between cadres and the masses within a group. It does not include the criticism, training, and management that cadres have to impose on the masses to do their work properly. It means the weakening of group strength created by open or hidden struggles between cadres and the masses for personal gain. Present cadre-versus-the masses self-destructiveness is reflected mainly in the unfair distribution of material and spiritual benefits. For example, when a cadre uses his authority to seek personal gain, those of the masses who obtain an advantage are the ones who curry favor with him and those who do not are the ones who attack him. This is one type of cadre-versus-the masses self-destructiveness.

With respect to young-versus-old self-destructiveness, during the eighties, it became more and more prominent in China. Such frequently used terms as "generation gap," "generational differences," and "generational boundaries" are manifestations of this. It would appear that this type of self-destructiveness has permeated every type of social group. For example, in families where sons and daughters do not get along with the parents, the lack of unity has affected the family's economic and cultural development. The discord in the schools between teachers and young students is much more prominent than it was in the past. In the academic world, young intellectuals accuse older intellectuals of being conservative. They in turn criticize young intellectuals for being "Westernized" and "radical." In the administrative offices, older cadres say that young cadres lack experience and are unwilling to let go and allow the young cadres shoulder any responsibility. Young and middle-aged cadres complain that older cadres are blocking their way and that individual talent cannot be given free rein. The lack of mutual concern and mutual support, and the dissipation of strength caused by these differences between young and old have made it impossible to create a unified will and build strength and has instead led to senseless losses in organizational and group strength. This is another manifestation of group self-destructiveness.

#### 4. The Control of Group Self-Destructiveness

Preventing group self-destructiveness involves activities at a comprehensive level. Party organizations and organizations of state power must require, first, that their various groups, units, and departments be properly led, and second, that organizational and managerial systems be built and made strong. What is most important now is to reform the cadre system and perfect the system of supervision by the masses and people's democratic dictatorship. We must guarantee the right of the masses to

be the masters in their own homes and their right to fully express their opinions and criticize the various levels of leadership and to exercise supervision over them. We must also guarantee that there is freedom and discipline under centralized leadership. We must conscientiously eliminate such outworn feudal concepts of appointing only relatives or close associates, forming cliques, and giving precedence for hereditary reasons when naming or dismissing cadres. If we are to free ourselves from the influence of the networks of connections based on female relatives, we have to implement a large-scale regional circulation of cadres. To prevent them from unintentionally falling under the factional influences of the networks of connections based on female relatives, local cadres are in principle not to hold local positions. Investigatory organs should be responsible only to higher level party organizations, accept the leadership of only higher level party committees or government authorities, and not accept leadership or interference from party committees at their same level. We also must have an exhaustive system of norms for the protection and control of the organizational system and for providing rewards and penalties. This will provide a standardized basis for action for cadres and the masses. Protection against self-destructiveness must be made an important part of organizations, such as groups, offices, and commercial and trade enterprises. Specific protective measures must be stipulated for rewards and penalties. And standards of behavior within organizations must be defined. This will eliminate the climate and conditions for dissipating the strength of the group.

Group self-destructiveness is produced by specific economic and ideological bases. Consequently, if we are to guard against it, we must at the very least develop our economy and society and ease the contradictions within groups between cadres and the masses on the one hand and between the masses and the masses on the other hand. We have to guarantee that there is full material and spiritual consumption within groups. At the same time, we also have to constantly perfect people's social relationships, urge that production, distribution, and consumption within groups be made rational, strengthen unity and cooperation between people, bring democracy into play, and listen regularly to the opinion of the masses, thereby strengthening ties between the top and bottom and between the left and the right. In addition, we have to raise the cultural level and ideological awareness of group members, foster love and concern for the collective, and increase group cohesiveness in order to reduce one of the reasons for self-destructiveness.

#### In Leading Groups

91CM0143C Shanghai SHEHUI [SOCIETY]  
in Chinese No 21, 20 Nov 90 pp 37-39

[Article by Lu Lide (7120 4539 1795) and Tang Jindong (0781 6855 2639): "Leading Group Self-Destruction"]

[Text] The "self-destructiveness" cited in sociology pertains to a lack of mutual support and cooperation on the



part of each member of a leading group while accomplishing the same organizational goal, with the resulting mutual suspicion and wrangling affecting the entire outcome. On a large scale, the self-destructiveness that occurs in leading groups affects the overall achievement of goals of a state, a party, and a nation. On a small scale, it affects the daily projects of units and departments and the accomplishment of their work tasks. It is obvious that it is extremely dangerous.

The factors of conflict in the formation of self-destructiveness can be divided into three types:

1. Conflicts of material gain. In disputes caused purely over the distribution of benefits, those leaders with exceptionally strong selfish desires either take more than their share without consideration for others or they demand absolute fairness for themselves without being fair to others. It occurs during work. When tasks are assigned, they haggle over every little detail. When there are achievements, they bicker over who takes credit. And especially when a member of their leading group is commended or praised by a higher level, they always suffer mental anguish. It also affects their daily lives. They cannot do without a meter less of living space. They have to use the car as many times as anyone else. And they have to have exactly the same number of prizes as others. Otherwise, they throw fits and bear grudges.

2. Conflicts of individuals. Because there are various types of individuals, there are different types of feelings and behaviors. As a result, there are differences in how people get along with each on the job and in their daily lives. If two individuals have to be together who are both the insensitive, irritable type or the cold, stubborn type, it will be difficult to avoid awkward, violent clashes and tit-for-tat struggles.

3. Conflicts of age. Because of their differing ages, members of the leading groups have different degrees of physical fitness, have been through different socialization processes, and have accumulated varying amounts of work experience. The agility of their brains and their understanding of things are also not the same. These factors also contribute to self-destructiveness in leading groups.

What are the factors that actually cause self-destructiveness?

1. The negative influences from higher level leading bodies.

First, the system is not perfect. Mutually contradictory rights and responsibilities and overstaffed offices make this quite prominent. This leads to inaction whereby too many people with too many different opinions make it difficult to agree on anything. A group, which at one time needed only five persons—based on the quality of its work and mission—might be assigned seven or even more. The overlapping division of labor inevitably causes disputes and differences over responsibilities that

are hard to reconcile. Administrative organs and departments which may or may not be needed and which cause overstaffing likewise increase the possibilities for mutual bickering.

Second, a lack of unity on the part of higher level leading groups is bound to permeate and affect the leading groups at the next level down. Professional, geographical, and linear relationships are influenced the most.

Finally, if the staffing of lower level leading groups by the higher level leading groups is not done carefully and prudently—for example, if the cadres assigned are not selected strictly according to the requirements stipulated by the party for the four modernizations—then cadres who are essentially unqualified will be joining the leading groups. Moreover, not paying attention to a proper distribution of talent produces the hidden danger of self-destructiveness for groups.

2. Causes deriving from lower level subordinates.

For example, a lack of unity between lower level leading groups and subordinates can similarly affect the higher level leading groups through the three relationships (professional, geographic, and linear). There are likewise subordinates of lower level leading groups who sow discord and provoke incidents among the members of the higher level leading groups. This is also likely to lead to conflict.

3. Interference by family members of those in government or politics.

Interference by family members of those in government or politics leads to a cooling of relations between leaders when, for example, the wife of one leader causes trouble with the wife of another leader and makes thoughtless comments before the respective husband. There are also those wives and children of leaders who put themselves completely above their husbands or fathers, poking their noses in and interfering with units and departments for which the husband or father is responsible. This inevitably causes resentment by the other members of the leading group and at the same time gives rise to complaints against the leader in question.

4. Causes deriving from the leaders themselves.

Some leaders lack the ability to distinguish between right and wrong. In politics, they disregard principle and policies and are eager to please everyone. In their ideological understanding, they are unable to grasp correctly the essence and main aspect of things. False appearances often deceive and influence them. They are not good at using their heads in coping with specific problems. For specific problems that require specific analysis, they either handle things arbitrarily and subjectively or they listen only to the self-serving advice of just one side, abandoning their own proposals.

Some are lacking in mental cultivation. They like to have the final say, are intolerant, and are unable to accept the least bit of disagreement from others. They have a strong



desire for fame and wealth, haggle over both the important and the trivial, and never give in. Their ideological morality is not good. They are not honest and sincere in their dealings. They act one way to a person's face and another behind his back. This is seen in their flattery of superiors and wanton abuse of subordinates.

Some are lacking in their work style. They are not fair in handling matters. It is obvious that they do not get along with people and that their close friends are few and far between. Their work is superficial, and they resort to deception. In a short time, their conduct has serious repercussions.

The above brief analysis illustrates that, whether large or small, frequent or infrequent, self-destructiveness ultimately is closely linked to how rational the leading group's structure is and to how good the quality of the leaders is. In this regard, we present the following thoughts on improving the quality of leaders and on making the entire structure of leading groups more rational.

1. In making cadre assignments, mutually complementary effects must be considered.

Mutually complementary effects are at present an extremely important principle for optimizing the composition of leading groups. It includes such aspects as ability, personality, and age. If each member of the same leading group is to possess these complementary qualities, many of the leading causes of contradictions should, as much as possible, be filtered out when assignments are made.

If we are to assign cadres according to the principles of mutually complementary effects, we must, first of all, focus attention on understanding the feelings and wishes at the lower levels during ordinary times.

Generally there are three ways to understand the feelings and wishes at the lower levels. First, go to them regularly and mingle with the subordinates, work alongside them, live with them, and become close friends with them. Second, integrate cadre investigatory work, conduct informal discussions and opinion polls on specific issues, and heed the opinion of the masses from all sides. And third, constantly deepen understanding of subordinates through various types of meetings such as democratic life meetings, heart-to-heart talks, work report meetings, and meetings held to analyze the work situation.

To sum up, only the leaders at the upper levels who have a thorough grasp of their subordinates' situation are able to know them well enough to make assignments commensurate with their abilities and to balance the strengths and weaknesses in their abilities, personalities, and age differences. The goal is to reduce self-destructiveness and to improve overall effectiveness.

2. Contradictions that occur must be promptly mediated and handled.

Mediation means patiently carrying out ideological work with the personnel or departments involved on both sides in order to alleviate contradictions and resolve disputes. Prior to mediation there must be conscientious investigation and research to accurately determine the reasons for the contradiction and who on both side are mainly responsible. This will make it possible in the course of mediation to emphasize these aspects for purposes of enlightenment and training.

Handling contradictions means imposing personnel readjustments on leading groups that have undergone mediation without having resolved their problems, thereby returning them to normal as soon as possible. It generally involves either horizontal or downward movement. Horizontal movement helps those who are capable and have pleasant personalities but who cannot get along with each other, extract themselves from their predicament by finding more favorable positions. Downward movement helps eliminate from the leading group as soon as possible those persons who lack ability and whose morality is questionable.

The mediation and handling of contradictions are two aspects of an indivisible task. The former is ideological training, the latter an organizational matter. They merge with each other and are carried out simultaneously.

3. Outside interference must be resolutely resisted.

Outside interference includes various types of negative influences, such as from the upper levels, from subordinates, and from family members and friends.

If we are to resist outside interference, we must do our utmost to regard the following two aspects. First, we have to strengthen the studies of leading group members themselves and improve their ability to analyze things dialectically so that they will not heed the self-serving advice of others and be easily taken in by them. At the same time, we must also strengthen awareness of policies, laws, and discipline to constantly improve our own willingness to handle things on the basis of principle. We especially must work hard to overcome outworn regional concepts and the ideology that gives respect only to superiors and establish an improved work style which bravely adheres to the truth and fearlessly refuses to be taken in by fallacies. Second, we must strengthen the training of subordinates and family members to ensure that, in their dealings with people, they conscientiously keep in mind the leader's prestige, cause fewer difficulties, and do more to help group solidarity.

4. Optimizing the personal role of cadres must be strengthened.

The purpose of optimizing the personal role of cadres is to reduce the disparity between their actual role and the role they expect to play, thereby enabling them to become even more competent in the jobs they do.

Optimizing the personal role of cadres is an extensive effort. It broadly includes the following three points:

First, optimizing methods of thinking means that, in looking at things and in thinking out a problem, it is important to include dialectics and the concepts of materialism, and it means constantly applying the strict demands of party standards to oneself, establishing a selfless spirit of scrupulously accomplishing one's job for the cause of the party, keeping the cardinal principles in mind and taking the overall situation into account, and correctly handling the three beneficial relationships, that is, with the state, with the collective, and with the individual.

Second, optimizing work style means it is important to be democratic in our work, and it means being good at accepting the criticism of others and ready to get along with and work with those with whom we disagree, being broadminded and not vindictive, going among the grassroots, caring about the sufferings of the masses, and being diligent about carrying out detailed investigation and study. It means especially having an overall viewpoint, it means not seeking selfish individual or small-group gains, it means taking the initiative to establish cooperative relationships in all areas, and it means conscientiously resolving all contradictions.

Third, optimizing personality qualities means it is important to strengthen the persuasiveness of cadre contacts with people. In general, there are five principles.

1. Warmth. This is a paramount principle in people's contacts with each other. In real life, warmth is what makes the first good impression on others. A number of difficult situations can be brought to a worthwhile conclusion if there are feelings of warmth.
2. Sincerity. This means conducting oneself sincerely and honestly, not lying, not doing things that weigh on your conscience, seeking the truth from the facts, and being as good as your word.
3. Willingness to work hard. No matter how warm and sincere you are with others, if you are lazy and never do what you say you will, others will inevitably lose their good impression of you.
4. Modesty. This means being modest and amiable in speaking to others, not being supercilious, not being opinionated, and not always striving to get the best of others and thereby avoiding a stone wall in our contacts with other people.
5. Readiness to help others. People who do not know how to show concern for others and to cherish them and who are indifferent and aloof to the difficulties of others have a hard time winning their confidence and respect. This will inevitably affect mutual contacts.

If every leader acts in accordance with these five principles, the opportunity for harmony within the groups will be greater and self-destructiveness will hopefully be reduced.

### Rise, Fall of Moderate Reformer Wen Yuankai

91CM0161A Hong Kong KAIFANG [OPEN  
MAGAZINE] in Chinese No 12, 15 Dec 90 pp 54-55

[Article by He Pin (0149 7340), editor in chief, FREEDOM OF THE PRESS, a newspaper in Canada: "Wen Yuankai, Where Are You?"]

[Text] Wen Yuankai [3306 0337 0418], the young scholar, was a leading moderate reformer, yet even he proved too much for the current Chinese Communist regime. More than a year after the 4 June incident, there is still no word of his whereabouts. People have forgotten that he was better known than Fang Lizhi [2455 0536 0037] at the height of the reform movement.

Wen Yuankai has disappeared. Some say he has committed suicide. Others say he had a nervous breakdown. Many of the people overseas involved in the democracy movement may well have forgotten a guy named Wen Yuankai. Yet, in late 1986, when the student movement still lay ahead, he was even better known than Fang Lizhi.

### Abandoned by Tiananmen Square

One day in late May last year, I ran into Wen Yuankai at the Beijing Hotel. He had just rushed to Beijing from Hefei and was bursting with anxiety. He said, "If the students do not evacuate, it will be disastrous." He went to the square and sought out a student leader. Soon afterward he returned to Beijing Hotel. There was a look of abandonment on his face.

Tiananmen Square had become the focus of world attention, the Jinggangshan of the worldwide democracy movement. Who would still recognize China's "sexiest man" of yesteryear? Those female college students who had voted for him had long become mothers or gone overseas to study in order to enhance their social status. At the square today, palpable with excitement, few girls, I think, would not consider Wuer Kaixi [0710 1422 7030 1585] the sexiest man. No balloting necessary there.

A dozen days earlier, as a matter of fact, 12 leading intellectuals, including Wen Yuankai, Yu Haocheng [0060 3185 2052], Yan Jiaqi [0917 1367 0366], and Bao Zunxin [0545 6690 0207], had already gone to the square to urge the students to beat a temporary retreat so that the Sino-Soviet summit meeting could take place. We all know the result. Wen Yuankai did not give up and made one more "one-man" effort, again in vain. The voice of reason is often drowned out in a sea of public emotion.

### Proposes That Both Sides Make Concessions

"Although neither the students at the square nor the powers that be in Zhongnanhai will hear me, I must speak out." Speaking in a placid tone, he told a group of Hong Kong and Taiwan reporters in a bedroom at the Beijing Hotel, "Both sides must learn to make concessions." I had to rush to Ren Wanding's [0117 3979 3957] press conference held at the Beijing office of UPI and did

not hear Wen Yuankai's entire "statement." From what I heard my journalist friends from Hong Kong say later, he was too moderate.

I think Wen Yuankai himself knew that he was criticized by many people during the student movement in 1986 for holding "moderate" views. It was then that many people began distancing themselves from him. In contrast, Fang Lizhi came out in support of the students "unequivocally," thereby making himself a symbol of conscience and a household word.

I have never seen Wen Yuankai since. Newspapers in Hong Kong say that he was thrown out of the Beijing Hotel. Apparently the people in power did not like him either. It is a case of damned if you do, damned if you don't!

#### **Said To Have Committed Suicide**

In June several totally defenseless intellectuals, including Wen Yuankai, were cited in the "Report on Putting Down the Rebellion" by Chen Ada in Beijing. The Anhui Provincial CPC Committee announced his removal from the provincial education commission. Soon nothing was heard about him. The propaganda mouthpiece of the CPC made no mention of him. Strangely enough, even democracy movement organizations overseas did not mention him either.

His family tried to inquire about his whereabouts in every way possible, to no avail. His elderly mother and younger brother, Wen Dinghai [3306 1353 0418], left Shanghai and went to China University of Science and Technology in Hefei, where he was located, several times, asking to meet with him. But all these trips proved fruitless. At one point there was suspicion that something untoward had happened to him.

In September last year, Wen Yuankai's elderly mother received a "money order." From a brief note attached by the remitter, she learned that he was safe and sound. The money was for his son, Luping [3873 1627], his wife having passed away four years ago. After that Wen Yuankai sent money home regularly. Sometime during September and October last year, however, his family received no money orders and not a single word from him for two successive months. Meanwhile, Shanghai was thick with rumors that he had had "a nervous breakdown." Other reports said he had "committed suicide."

#### **Under Isolated Investigation at China University of Science and Technology in Hefei**

Workers at China University of Science and Technology in Hefei say that the person rumored to have died was "Wei Yuankai," not Wen Yuankai. Because their given names were the same and their surnames also sounded a little alike, people not in the know confused one with the other, distorting a report even as they relayed it. A weak constitution, the passing away of his wife, and a career setback... all this made his friends worry about his

health. Finally, on 22 November, Wen Yuankai's mother received a long-awaited letter from him. It was a brief letter but was enough to put their minds at ease.

Where is he really? According to a professor at the China University of Science and Technology, Wen Yuankai was often seen for a while following 4 June but disappeared without a trace after September last year.

Through indirect connections, this writer inquired about him at the public security department of Anhui Province and was told that Wen Yuankai had not been arrested but was put under "isolated investigation" by the appropriate unit. While denied freedom of movement, he is living quite well and can read books and newspapers.

#### **Voted the Sexiest Man by Female College Students**

The student movement at China University of Science and Technology in Hefei in 1986 was a major turning point for Wen Yuankai. Although he had been subject to official pressure previously, he felt abandoned by young college students this time around. He was considered "a man time has left behind," "superficial in thinking," and "weak."

Indeed, looking back at Wen Yuankai's "reform ideas" now, we find nothing particularly remarkable. In the early days of reform, though, Wen Yuankai's ideas had a profound effect on young people, particularly college students. Besides being the youngest professor in China, he was praised as one of China's "four great thinkers" along with Fang Lizhi, Li Zehou [2621 3419 0624], and Jin Guantao [6855 6034 3447]. He received the largest number of votes from female college students in Beijing in a contest to pick the "10 sexiest men in China."

Wen Yuankai also had the blessings of the authorities up to a point. In June 1982, he made a name for himself by submitting a paper on S&T structural reform to then Vice Premier Wan Li. Deng Xiaoping, Hu Yaobang, and Zhao Ziyang thought even more highly of him. He was elected a member of the presidium of the Sixth National People's Congress and named vice chairman of the education commission of Anhui Province and director of the department of applied physics at China University of Science and Technology. For a while he was "hot" indeed. Together with Guan Weiyan [4619 1919 3508], then president of the university, and Fang Lizhi, vice president, he was a strong advocate of "academic democracy."

#### **Successful in His Field, He Dreams of Founding a University**

Like the group of reformers who gained prominence in the early days of the decade of reform, he was "hit by an arrow and fell from the horse." Although he is allowed to keep some responsibilities, he is now seldom mentioned in the press. His works *Reform and Transformation of the National Character* and *Transforming the Substance of China's Traditional Culture* have been banned.

We talked all night at the Shenzhen Hotel during his trip to Shenzhen in 1988. He was then concentrating his energies on professional research; his achievements in quantum biological chemistry and genetic engineering had received a fair measure of international attention. He also became a member of the editorial committee of the international magazine QUANTUM STRUCTURAL RELATIONS, or QSAR. Nevertheless, he still dreamed of setting up a micro experimental university in China. He was put in touch with a Hong Kong businessman willing to invest and a unit on Hainan interested in substantive cooperation. He was elated and spent several days in a row conducting exploratory negotiations. Upon his return to Hefei, however, nothing more was heard about it. It turned out that the company he founded had come under "investigation."

### Profile of Leftist Literary Critic He Xin

91CM0161B Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 11, 15 Nov 90 pp 17-18

[Article by Mei Zi (2734 1311): "How He Xin Became Famous"]

[Text] He Xin [0149 2450] has a knack for finding the right connections. He is an opportunist in his scholarship. He is politically astute. He has the nerve to behave shamelessly in disputes. After the 4 June incident, he rose to fame, being at the right place at the right time, and became hatchet man and cheerleader. He is 40 years old this year.

After the great massacre of 4 June, of all the Chinese Communist literary hooligans who tried to absolve the Communists of their bloody crimes and launched a massive vindictive attack on liberal intellectuals, perhaps the most notorious is He Xin, a research associate at the Chinese Academy of Social Sciences [CASS].

### Proposes Sending Intellectuals of the Opposition Into Exile

Even before 4 June, He Xin had made a name for himself at home and abroad by publishing an article in restricted reference materials in which he viciously proposed that the CPC send into exile all liberal intellectuals instead of wasting energy to criticize them, which would only make martyrs out of them.

After 4 June, people mobilized by the CPC to write articles of criticism all chose to remain anonymous. Not He Xin. He let his name be used and was very active. He criticized *Heshang* [River Elegy], roundly condemned Fang Lizhi [2455 0536 0037], and defended the Chinese Communists' current policies endlessly in a flow of eloquence in an interview with LE MONDE of France.

### Throwing in His Lot With Hu Qiaomu

Who really is He Xin, described by people overseas as the representative figure of neoconservatism on the mainland?

As far as intelligence goes, He Xin is very smart. Quite a character. But in terms of moral quality and academic ethics, he is a typical cultural hooligan. He has little education, having finished just three years of junior high school before the Cultural Revolution. During the Cultural Revolution, he was a worker-peasant-soldier college student, but only for half a year. Only by throwing in his lot with Hu Qiaomu [5170 0829 2606] and offering the latter his services during the anti-bourgeois liberalization movement in 1983 did he manage to sneak into the highest research institute in the land.

At the time, Hu Qiaomu was planning to direct a drama of intellectuals spontaneously opposing bourgeois liberalization. He spotted in He Xin a streak of evil genius and a willingness to be the triggerman. So he wrote to He Xin, inviting him to contribute works to DUSHU [READING] to criticize liberals. Swollen with pride, He Xin walked around with the letter, showing it off to everybody—to the great embarrassment of Hu Qiaomu.

With a patron like Hu Qiaomu, He Xin made his way into CASS. Applicants for research associate are required to be tested in two foreign languages. Because he had strong backing, however, He Xin was examined only in English, with ancient Chinese substituting as the second foreign language, which was a break with normal practice.

### Talking About Dragon in the Year of the Dragon; Refusing To Admit Errors

Relying on his cleverness, He Xin adopts an extremely sloppy attitude toward scholarship. He is quick to seize opportunities. He most likes studying Chen Yinke's [7115 1377 1870] works. The reason is that this master of ancient classics was erudite and wrote extensively, touching on every subject, from ancient to modern, from Chinese to foreign. He quoted others readily without citing the sources. He Xin uses Chen Yinke's ready-made materials almost exclusively.

He Xin's writings are full of errors. In 1986, for instance, he wrote an article "Talking About Dragon in the Year of the Dragon" (reprinted in a Hong Kong publication) in which events that happened 2,000 years later were said to have taken place 2,000 years earlier. But he never admits his mistakes, invariably calling them "typographical errors" and blaming them on the compositors.

He often acts shamelessly in scholastic arguments. Tall and sturdy with a crewcut, he is a member of the Beijing Boxing Society. When he cannot win an argument with words, he will invite the other party to fight with him. Once he was unhappy with the tardiness of a publisher in bringing out his book. He wrote to the publisher, pretending to be Sanlian Bookstore of Hong Kong, and threatened to teach it a lesson if it did not publish the book quickly.

### Vainly Trying To Dominate Cultural Circles

Everywhere he bragged that he had been a star pupil of Qian Zhongshu [6929 6988 2579]. When word got back to Qian Zhongshu, he declared solemnly, "I have never accepted him as a student."

Like the bad guys in swordplay fiction who want to dominate the world of martial arts, He Xin dreams of dominating the world of letters, of being the leading light in the cultural arena. Thus he attacks everybody who is better than he. His *modus operandi* is to inform on the person to the various cultural government agencies, claiming that this book is problematic or that viewpoint is dangerous.

Some people in the academic circles in Beijing say that He Xin is the most astute cultural spy with a nose for politics. Most Chinese Communist bureaucrats in charge of culture know absolutely nothing about things academic and are unable to follow any work that is a tad subtle or profound. It is by exploiting the bureaucrats' ignorance that many books with bold ideas are able to see the light of day. But He Xin understands these works and is able to spot their essence. Besides, he is "hyperactive," spending his spare time sniffing around in a sea of writings. When he smells something fishy, he immediately reports it to the Chinese Communist authorities.

### Rendering Meritorious Services in the 4 June Events; A Dozen Mistresses

Colleagues at CASS abhor his literary hooligan habits. Many scholars of integrity refused to have any dealings with him or even to greet him even before 4 June. As he became more obnoxious after 4 June, he was completely isolated and treated with hostility. Even he himself felt the heat.

He is said to have a dozen mistresses, including a female worker at CASS. Mistress No 3 or 4, she helped him put up small-character posters all over CASS not long ago and wrote an open letter to President Hu Sheng [5170 4939], complaining that he had come under attack for opposing bourgeois liberalization and the suppression of the counterrevolutionary rebellion. Claiming that he could not stay at CASS any longer, he asked to be relieved of his job and transferred to another unit.

More recently, however, this woman was beyond herself with joy. For one thing, she has been promoted to be He Xin's number-one girlfriend. Second, as a reward for his services as a literary hooligan, Vice President Yu Wen [6735 2429], who was newly transferred to CASS, made an exception by allocating him an apartment. His mistress told everybody, "He Xin now has an apartment. We are getting married soon."

He Xin's father, a retired worker of the Journalism Institute of CASS, has a house. He Xin often quarrels and gets into fights with his parents over his occupying and staying in their house. His father complains to others that his son is disobedient and shows no filial piety.

### Wants To Be a Bureaucrat, But the Road to Officialdom Is Bumpy

It is not for an apartment that He Xin sweats his guts out for the CPC. People who know him well say he wants to obtain a position, such as directorship of the theoretical department of a newspaper or magazine, and to become an official. He wrote the open letter to Hu Sheng precisely to air his dissatisfaction with the government for not rewarding him with an official job.

According to people in academic circles in Beijing, however, orthodox cultural officials currently in power in China do not, in their hearts of hearts, consider He Xin one of their own. They think his previous writings are too impure—there is no mention of Marxism-Leninism—and are in the vein of bourgeois liberalization. So they are merely using him as a running dog and do not take him seriously. They have even sent reports to their superiors saying this person is unreliable and cannot be given a job.

Another theory is that orthodox officials in the Central Propaganda Department realize his competence and their own incompetence. If they give him a job, he would threaten their own position. Therefore they are hell-bent on stopping his official career from taking off.

### Learn From Lei Feng Activities Defended

91CM0088A Beijing ZHONGGUO GAODENG  
JIAOYU [HIGHER EDUCATION IN CHINA]  
in Chinese No 10, 13 Oct 90 pp 23-24

[Article by Wu Zhuo (0702 0213): "Some Practical Issues About Learning From Lei Feng"]

[Text] Since the CPC Central Committee called on the entire nation to learn from Lei Feng, students at institutions of higher education have gotten into action enthusiastically and a new climate has descended on campuses. But some viewpoints that gained currency when the thought of bourgeois liberalization was sweeping the nation have yet to be eradicated. They are still confusing a number of young students about learning from Lei Feng and hampering the intensification of the campaign to learn from Lei Feng. This article proposes to analyze a number of practical issues.

*Some people think that there is no scientific basis for the call by the party and government to learn from Lei Feng. Lei Feng was most obedient to the party and was a docile tool of the party. That is why the call to learn from Lei Feng is a purely utilitarian move aimed at stabilizing the current situation.*

Some young students hold this erroneous view mainly because they misinterpret the essence of the Lei Feng spirit, the relations between the individual and society, and the history of human morality. Do what the party says. Hard work and plain living. Find pleasure in helping others. Do good deeds for the people anywhere, anytime... All this actually is only the tangible expression of the Lei

Feng spirit. The essence of Lei Feng spirit is the communist ethic of serving the people wholeheartedly and a revolutionary outlook in life of dedicating one's life to the struggle for communism. The underlying meaning of serving the people wholeheartedly is this. Under socialism, our interests are basically the same. As a member of society, on the other hand, an individual is also unique. Hence the conflict between personal interests and the interests of the collective and society. Serving the people wholeheartedly requires every member of society to handle this conflict properly with a high degree of conscientiousness. We must, consistently, anywhere, anytime, put the interests of the collective and society, that is, the interests of the people, before personal interests. When we learn from Lei Feng, we must not only emulate his doing good deeds for the people frequently and on his own initiative, but, even more important, follow his communist consciousness of placing the people's interests above personal interests.

Man, we know, is a social animal who cannot exist in isolation from society. As a member of society, man must obey the law and, in addition, be constrained by a set of moral standards. The ethic of serving the people wholeheartedly, embodied by the Lei Feng spirit, is a logical continuation and refinement of the best in all the moral thought of human society. Moreover, in this new historical era, the Lei Feng spirit has experienced a quantum leap in substance to reach an unprecedented historic high. The characteristic of the Lei Feng spirit is this: Under socialism, people realize on their own that the differences between personal interests and social interests are no longer confrontational and that the individual can grow only if the collective and society develop. The Lei Feng spirit thus demands that the individual truly conscientiously put the interests of society, that is, the interests of the people, above personal interests and genuinely serve the people wholeheartedly. The social function of this morality is most powerful. It can unite the entire society, pulling it together like a piece of rope, and turning it into an all-conquering mighty force that will fuel rapid social progress. It can organize the people into an extended family of harmony and brotherhood by correctly reconciling the interests of the three parties—the state, the collective, and the individual. Individual interests are subordinate to the interests of the state and the collective. The state and the collective create the most favorable conditions for personal growth and development.

Under socialism, our party and state represent the interests of the entire working people. They have no special interests different from the interests of the working people. Nor do they have special moral norms. It is on the basis of a scientific understanding of the nature of the Lei Feng spirit, and in the interests of the state and society as a whole, that is, the interests of the entire working people, that the party has strongly promoted the Lei Feng spirit. In the three decades since Comrade Mao Zedong called on the nation to "learn from Comrade Lei Feng" in the early 1960's, learn-from-Lei-Feng activities have undergone some ups and downs, but never have they come to a halt.

There is no better proof than the emergence of a host of models in the style of Lei Feng across the nation in the last decade or so, including Zhu Baru [2612 0130 0320], Jiang Zhuying [5592 4591 5391], Luo Jianfu [5012 0256 1133], Zhang Zixiang [1728 1311 4382], and Li Runhu [2621 3387 5706]. Even in the decade of turmoil and during the time when the tide of bourgeois liberalization thought was sweeping the nation, people still called for the Lei Feng spirit and some "living Lei Fengs" were still active in every trade and every profession all over the country. This is a vivid illustration of the fact that the Lei Feng spirit has struck roots in the hearts of the people. If the current learn-from-Lei-Feng campaign, launched with much fanfare, has any practical significance, it is to turn around the party style and social climate corrupted some time ago by bourgeois liberalization and the money-is-everything egoism.

*The level of public morality, some people claim, is determined by the level of economic development and is dependent on it for improvement. Right now China remains economically underdeveloped, yet the party and government are calling on the people to learn from Lei Feng. Artificially and prematurely making excessive moral demands on society is meaningless because people will not be able to meet them.*

This viewpoint seems to rest on a sound theoretical base, but is actually a spurious argument. Its persuasiveness lies in metaphysically understanding the relationship between morality as a social ideology and social existence, as well as the relationship between the moral ideals of society and the general moral standards in real life.

Indeed, in the final analysis, morality as a social ideology is determined by social existence. In China, the level of socioeconomic development indeed constrains society's overall standard of morality a good deal. For instance, at a time when we have not yet achieved material abundance, the private economy exists as a necessary supplement to the public economy. This and other things have all somewhat depressed social moral standards. Instead of disappearing, egoistic conduct like abusing public office for private gains, seeking personal interests at public expense, and harming others to benefit oneself have increased and gotten worse in recent years, influenced by the unhealthy trends of bourgeois liberalization and the idea that money is everything. However, it is a narrow, intuitive, and superficial interpretation of social economic life to regard the decisive influence of social life on morality merely as that of living standards on morality. This interpretation does not explain why morality differs significantly in different eras and why moral standards of people in the same society are not determined by their wealth, or lack of it, much less does it reveal scientifically the social nature of morality and its law of development.

Historical materialism stresses that as a superstructure and ideology, morality is determined by social existence and the economic base. This means, first and foremost, that the nature of the socioeconomic structure directly determines the nature of all sorts of moral systems. The socioeconomic

structure is the relations of production in society, and the form of ownership of the means of production is the base of relations of production. In determining the nature of the socioeconomic structure and its decisive influence on morality, we should emphasize the nature of the ownership of the means of production. China's socialist system rests on a socioeconomic structure whose basis is public ownership. Its corresponding morality can only be proletarian morality. Therefore, although China is still in the initial stage of socialism and its level of productive forces and its degree of social welfare are far below that of developed capitalist nations, its society boasts the most advanced moral system in the history of human society, a system in which communist or proletarian morality is dominant.

The Lei Feng spirit is precisely an expression of the proletarian morality formed and developed under socialism. So many advanced exemplary figures with a noble proletarian morality, represented by Lei Feng, have emerged one after another that they have become the norm. This fact powerfully proves that our society is equipped to advocate learning from Lei Feng.

Another reason the nation is called on today to launch learn-from-Lei-Feng activities extensively is that the Lei Feng spirit is the moral ideal of society at large. In other words, the Lei Feng spirit is a perfect morality embodied by a few advanced individuals. Although it is not yet a set of moral standards that every individual can live up to on his own initiative, it points up the direction in which history is moving and reflects the wishes of the broad masses of people. For these reasons it is a powerful engine of social development. The party advocates learning from Lei Feng precisely to move the moral outlook of the masses closer to and eventually meet this level of morality.

*When we learn from Lei Feng, we do whatever the party tells us to do and think of doing good turns for others all the time. This, some people say, cannot but deprive a person of opportunities for all-round growth and represents a repression of individual development.*

This argument is likewise a gross misunderstanding of the Lei Feng spirit. Essentially, it assumes that personal development and social progress are diametrically opposed to each other. As we all know, man is a social being. Personal development requires social development to provide the necessary material and spiritual conditions. Moreover, an individual can develop only in the social and collective environment. Under socialism, each single measure of social progress makes the conditions for individual development that much better. That individual development cannot do without society is true in yet another sense. The full utilization of a person's talents and the enrichment of his personality are not activities that take place when one isolates oneself and lives in seclusion. They are realized through intercourse and interactions between the individual and society. An individual can demonstrate his talents and skills only in the process of creating material or spiritual wealth for society and otherwise contributing to society. Personality enrichment can take place only through social

practice and only when an individual compares and contrasts himself with society and others. Moreover, one can achieve all-round growth only when such growth is in a direction consistent with that of social development and only when it is recognized by society. Therefore, when an individual contributes to society energetically, serves the people diligently, and fully utilizes his intelligence and talents in social practice, he is developing himself all round in an important way as well as creating conditions for further personal development. It can thus be seen that serving the people wholeheartedly, as called for by the Lei Feng spirit, will not impede all-round personal development and personality enrichment. On the contrary, it provides the correct way to achieve all-round personal development under socialism. Accordingly, learning from Lei Feng and achieving all-round personal development are fully compatible with each other. The most important aspect of learning from Lei Feng is working hard to do one's job well and serving the people wholeheartedly.

Certainly, we should also see that, because society is a collection of men, personal development is one yardstick of social progress and an internal driving force of social advance. An advanced equitable society, therefore, should continuously provide improving conditions for optimal personal development. At the same time, we must realize that social progress is a long-term historical process. At some points in this process, personal development will be incompatible and conflict with social development. Historically inevitable, this is the price that must be paid to have both personal and social development. Marx pointed out that, in human society as in the plant and animal kingdoms, "when social material conditions are not fully in place, individual interests must be sacrificed to pave the way for the interests of the race." Only when society is completely materially equipped can overall social development "be consistent with the development of each and every individual. Thus, personal development at a higher level can be achieved only at the expense of an individual's historical progress." The occurrence of this state of affairs is independent of anyone's will. In a society that practices private ownership, this phenomenon is even more striking. Under socialism with public ownership, the conflicts between personal development and social progress are no longer confrontational in nature. In fact, the two are more in harmony with each other now than at any time in the past. However, because of the constraints resulting from a limited level of material development and spiritual civilization, people do not get total satisfaction when they look for jobs, try to satisfy their material and spiritual needs, or pursue education, rest, and recreation. Thus, within a general framework of harmony between personal development and social needs, some conflicts do exist. In a certain sense, we can say our reform and open policies as well as our economic construction and cultural development are all intended ultimately to solve this problem. But before that happens, the only correct way to resolve the current conflicts between personal development and social progress is to advocate that we emulate Lei Feng, permanently and conscientiously put the interests of the people above personal interests, serve the people wholeheartedly, and sacrifice personal interests if necessary in order to safeguard the interests of the people. It is also the only correct way to create optimal conditions for personal development.



### Head-Up Display Weapons Aiming System Developed

91P60088X Beijing KEJI RIBAO in Chinese 29 Dec 90 p 1

[Article by Cheng Meimei (4453 4168 4168): "Aircraft Head-Up Display Weapons Aiming System Developed"]

[Summary] The aircraft head-up display weapons aiming system developed by the Ministry of Aeronautics and Astronautics Industry's Research Institute 613 fills a domestic void, and its installation in warplanes forms a solid basis for raising combat effectiveness. This advanced aerial fire-control system, combining an electro-optic display with a digital computer, reduces line-of-sight slewing and improves the weapons projection format to realize better aiming accuracy, improved flight operating conditions, and enhanced flight safety.

### Review of Military History, *White Snow, Red Blood*

91CM0165A Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 11, 15 Nov 90 pp 37-39

[Article by Cai Yongmei (5591 0737 2734): "Shocking Work *White Snow, Red Blood* Mercilessly Exposes Truth About 'Liberation War'"]

[Text] Editor's Note: This magazine's special Hong Kong senior correspondent, Miss Cai Yongmei, has reviewed a new work of reportorial literature from the mainland, titled *White Snow, Red Blood*, that has shocked people both inside China and abroad. It should be noted that this book was published by the Chinese Communist military after the 4 June [1989] events.

As soon as it appeared, the huge 100,000-word tome titled *White Snow, Red Blood* by Zhang Zhenglong [1728 2973 7127], a middle-aged writer in the Chinese Communist Shenyang Military Region, which was published after 4 June, aroused a tremendous stir among readers. The first run of 93,000 copies was completely bought out; however, this documentary literary work about the Chinese Communist campaign in Liaoning also aroused the fury of the Chinese Communist military, who condemned it as a serious distortion of Chinese Communist revolutionary military history and severely criticized it.

That *White Snow, Red Blood* aroused such intense, diametrically opposed reactions in today's forbidding political atmosphere on the mainland was inevitable. This is because the book used large amounts of data in a courageous exposure for the first time of the truth about the Chinese Communist 8th Route Army's orders to move northward into the Northeast. The Chinese Communists waged three years of war against the Kuomintang army on the black soil there during the historical period after the end of the War of Resistance Against Japan, finally occupying the Northeast. He particularly exposes the Chinese Communist use of siege and

blockade to "liberate" Changchun, committing the extremely tragic crime of starving to death 150,000 ordinary people.

### Work Completely Eschews Chinese Communist Ideology

Those who have read this book say that never before has any mainland author exposed the Communist Party's scars the way Zhang Zhenglong has done, exposing them so accurately and so fiercely, and exposing them so bloodily.

Commendably, though the author, Zhang Zhenglong is a Chinese Communist lieutenant colonel, his ideological point of view completely eschews the Chinese Communist ideological framework. The main theme of the whole book is peace and opposition to war. He condemns "war as a meat grinder," and says "a corpse is a tragedy; a family's tragedy is a nation's tragedy." He asks to "let the whole world be filled with love"; and people "be able to live in the sunshine forever." This saddening theme can be found between the lines throughout the book.

In narrating this great war between the Kuomintang and the Communists, he maintains a rather detached position. He does not believe that the three civil wars between the Kuomintang and the Communists were "wars of liberation" in which the Chinese Communists led the people in overthrowing the "three big mountains." He believes that these wars fought over ideology should not have been fought. In the book, he asks the following question: "Just what did ideology give the country and the people?"

### Sympathy for Defeated Kuomintang Generals

Thus, the author does not hesitate to say that he holds a sympathetic attitude toward the Kuomintang, which was defeated in this war. He writes lengthy portrayals of defeated Kuomintang generals: Du Luming, Sun Liren, Wei Lihuang, Zheng Dongguo, and Fan Hanjie. He describes them as "a fine generation of generals" and "heroes of the nation" who "made immortal contributions during the War of Resistance Against Japan" and who were "generally more refined than the CPC." They were "fine fellows," "tough men who went through countless difficulties without giving in" and were "possessed of indomitable will, honor, uprightness, and open-mindedness."

He felt it particularly unjust that these "famous generals of the War of Resistance Against Japan" finally became prisoners of war and were regarded as war criminals by the Chinese Communists. He said, "When Du Luming and Liao Yaoxiang, these famous generals in the War of Resistance Against Japan, entered prison as prisoners of war, they lived those years together with Japanese war criminals. Unless engaged in writing or recuperating from illness, Chinese war criminals had to work, but foreign war criminals did not have to wield a Chinese hoe. Except for the sick, who ate in a special mess, all Chinese war criminals ate in a semi-open mess. All



foreign war criminals ate in a special mess. This seems hard to understand, yet it also seems very easy to understand."

He even felt that "a memorial should be erected for Kuomintang officers and men who fell in battle." He lamented that "the Chinese are still not in the habit of erecting monuments to their adversaries."

Of course, on first reading, the tone of *White Snow, Red Blood* seems to tilt toward the Communist Party, and there is quite a bit of criticism of the Kuomintang, particularly of Chiang Kai-shek. However, in the foreword, the author explains very clearly that he has to "make clear distinctions." He said that "the literary me did all possible between the lines to make clear distinctions with Chiang Kai-shek, just as another account did all possible to make clear distinctions with Lin Biao."

#### **Accuses Chinese Communists of Provoking Civil War, Burning, Murdering, and Looting**

However, the large amount of data quoted in the work shows that he is by no means partial to the Communist Party. He demonstrates that the civil war was provoked by the Chinese Communists. Even before the Japanese had surrendered, when the United States dropped the atom bomb, the Chinese Communists raised their strategy to deployments for an "expansion northward" in an effort to be the first to send units into the Northeast. They raised the slogan "exclusive domination over the Northeast" and "upset the plans" of the leader of the "legal government" Chiang Kai-shek. The reason for the Chinese Communists' ability to dominate the Northeast was, the writer believes, because "the USSR helped a great deal."

He said that "had the USSR not sent troops to the Northeast, no matter the foresight and sagacity of the Chinese Communists, they would only have been able to look off into the distance from the loess highlands toward this tract of black earth. Had it not been for the USSR's tacit approval and assistance, the advance into the Northeast could not have gained strength that quickly. It would have taken three years to occupy the black earth. Had it been the United States rather than the USSR that sent troops to the Northeast, all of this would have been simply unimaginable."

The data and historical facts that the writer quotes demolishes the glittering camouflage of the Chinese Communist Army as a "glorious and magnificent force made up of the sons of the people," and demonstrates that the "PLA" [People's Liberation Army] also burned, killed, and looted, sold opium, philandered, and had declining morale, its soldiers being absent without official leave and deserting, and being unable to gain popular support.

#### **Common People See 8th Route Army as "Chinese Devils"**

The author noted that once the War of Resistance was over, the 8th Route Army detested warfare and longed for peace. It did not want to fight south of the Great Wall, and large-scale desertions of soldiers ensued. The author quoted a telegram from Lin Biao and Luo Runghuan to Mao Zedong that said, "Incomplete statistics show more than 8,000 desertions from field armies during April, May, and June." Among the deserters were large numbers of military officers, party members, battalion and company political instructors, and even generals. Chen Yi's report for the mobilization of military personnel to move north of the Great Wall into northeast China was filled with enticements. "Chairman Mao permits me to report to you that you are going to a good place. That place is a dazzling world that has electric lights, multistory buildings, gold and silver." In their efforts to get deserters to return to their units, cadres said that "in the Northeast, you'll all be promoted, become officers, and become high-ranking officers."

When Lin Biao's 4th Field Army began hostilities in the Northeast, its loss of Siping, coupled with heavy troop losses, caused more large-scale desertions. "When company commanders or political instructors met at that time, they would ask each other how many deserted that day." When the Northeast was finally "liberated," a large tide of desertions occurred when the armies moved south of the Great Wall to fight.

Furthermore, the 8th Army that stormed into the Northeast was a sorry sight that "paled by comparison with any Kuomintang army seen on a movie or television screen today." "In the eyes of the common people, if they were not beards (a northeastern term meaning bandits), then what were they?" Their discipline was also terrible. The author quotes a telegram that Huang Kecheng sent to the Military Affairs Committee about Chinese Communist forces in the Northeast. "Their forcing the people to accept large 500 yuan and 100 yuan border currency notes (border currency was Chinese Communist-issued currency) caused prices to bolt, and shops closed. In addition to eating up remaining Japanese grain stores, the troops ate whatever they found wherever they went. Eating and burning everything, they were like locusts. Complaints could be heard everywhere."

The first 8th Route Army troops to reach the Northeast were "dressed in 'Japanese devil' uniforms from head to toe, and some of the people sneeringly called them 'Chinese devils.'"

#### **Reports Northeast People's Welcome of Kuomintang Forces**

By contrast, the Kuomintang forces that entered the Northeast were completely U.S.-equipped. They were all crack troops who had long been in the field against the Japanese. The people said approvingly that they were more imposing than the "little devils" (the Japanese

Army). In a telegram, Wang Kecheng also acknowledged that the Kuomintang forces were more strictly disciplined than the Chinese Communists, and that all their provisions were delivered from the rear. They disturbed the citizenry relatively little.

After comparing the two, the ordinary people of the Northeast despised and did not welcome the Chinese Communist forces, but "liked and pinned their hopes on the central government." When the Chinese Communist forces lost Siping and began to move out of the city, "the common people crowded the main streets as though they had issued from underground to wave small flags and shout slogans" welcoming the entry of the central government forces into the city. The angry 8th Route Army said, "Go ahead and welcome them. You will see."

After the central government forces began to enter the Northeast, a "join-the-army craze" and a "marry-a-soldier craze" surged through the Northeast. It crested with the central government forces' entry into Changchun. Changchun girls deemed it an honor to marry a member of the central government forces, and virtually all women college students became brides of the New 1st Army.

#### **Reveals Dark Truth About Land Reform in the Northeast**

Unable to win popular support or to recruit soldiers, the Chinese Communist army resorted to bullying and deception. They sent "soldier dealers" everywhere to conscript soldiers. Their methods were like the press-ganging that the Chinese Communists later ascribed to the Kuomintang.

At that time, Dalian was termed an "international center," but it was actually a Chinese Communist domain. The soldier dealers that the Chinese Communists sent consorted with Communist Party members in the police bureau to deceive two company-size police units to attend a meeting. As soon as they entered the room, the doors were locked and gun-bearing guards were stationed outside. All the police were forced to change into civilian garb, after which they were loaded on trucks and transported to become members of the Chinese Communist army.

So-called "volunteering" for the army also meant that, during a Chinese Communist peasant meeting held during the height of the summer heat, 40 peasants were forced to sit on a hot brick bed that burned their behinds. Those who "volunteered" to join the army could leave the brick bed. As a result, "after two days, everyone 'volunteered.'"

Working from such an inferior position, how were the Chinese Communists able to turn defeat into victory? The author feels that Chinese Communist reliance on land reform and "liberation" declarations won the peasants' support, with the rural villages of the Northeast overwhelming the cities of the Northeast.

The author terms land reform the Chinese Communists "exhibition of their superlative skill." His tone is satirical. The reader need only imagine how the CPC took land from the landlords and gave it to the peasants, thereby gaining the peasants support in their fight for power, only to deprive the peasants of their land later on to understand the author's satirization of the Chinese Communists' "unscrupulous methods"

The author also exposes the dark inside story of land reform, its "bloodcurdling" violence and ruthlessness, and its "destruction of rural productivity."

With a boundless sigh, the author says that "whether it destroyed productivity or liberated productivity, the Communists rallied millions upon millions of peasants to fight as one man."

#### **150,000 Starve to Death in Siege of Changchun**

Yet another unscrupulous superlative skill of the Chinese Communists that the author points out was the conducting of class education within the armed forces by recalling past deprivations. They "used magical water-like tears" to fan the class hatreds of peasant soldiers, making them willing to lay down their lives for the Communist Party.

Nevertheless, *White Snow, Red Blood's* exposure of the Chinese Communists unscrupulously cruel "liberation" of Changchun is most extreme.

Unable to overwhelm Zheng Dongguo's stubborn defenders in 1947, the Chinese Communists resorted to siege tactics. They blockaded the city, cutting off its food. Five months later, Zheng Dongguo's forces surrendered without a fight. Thereafter, the Chinese Communists advertised the "liberation" of Changchun as a "bloodless victory."

*White Snow, Red Blood* exposes the secret of the Chinese Communists "bloodless victory." It pushed the totally defenseless common people into the front lines, starving to death between 120,000 and 150,000 of the citizens of Changchun.

The Chinese Communist tactics at the time were to permit no one to leave the city, the mouths of the city's 500,000 population thereby becoming a "heavy burden for the Kuomintang," and causing the city residents to fight for food with the army as a means of undermining the morale of the Kuomintang forces. When the Kuomintang tried to disperse the people outside the city, Communist sentries blocked their exit and even fired on starving people.

#### **Cites Lin, Luo, Liu, and Tan Telegram to Mao as Evidence**

When he wrote this chapter on the siege of Changchun, the author knew it was bound to infuriate the Chinese Communists. Consequently, he quoted large numbers of

Chinese Communist telegrams, the recollections of Kuomintang prisoners of war, and statements by surviving starved citizens in order to guard against loss of reader credibility.

Of the author's numerous quotes, just one passage is excerpted here from a telegram to Mao Zedong at the time of the siege from "Lin, Luo, Liu, and Tan." "Very much effort has been given to explaining to the starving citizens and to soldiers the policy of not allowing starving citizens to leave the city and turning back those who have left. The starving citizens show resentment and complain greatly that 'the 8th Route Army refuses to help when people are dying.' Drove of them kneel before our sentries imploring them to let them pass. Some abandon their babies, and some hang themselves in front of our sentry posts. The soldiers weaken in the face of these tragedies, and some of them kneel down and cry with the starving citizens, saying 'it is orders from above that I have to carry out.' Some have also let refugees slip through. After rectifying this situation, another tendency was found, namely beating, tying up, and even firing on the refugees, thus causing casualties. (No statistics are available on the numbers killed and wounded)."

The circumferential highway around Changchun became a no man's land between the two armies at the time. The Kuomintang drove the starving citizens outside the city only to have the Communists force them back. Most of the people of Changchun were sandwiched in the no man's land between the two to starve to death. At the time, ZHONGYANG RIBAO's minimum estimate was that, "during a period of four months, no fewer than 150,000 corpses of men and women, the old and the young, piled up" in this strip.

Zhang Zhenglong wrote this section with a feeling of exceptional grief. He was particularly grief-stricken and indignant. He said, "The starvation of so many people in a city as a result of war is positively unsurpassed in ancient or modern times in either China or abroad!"

#### **Notes That the Siege of Changchun More Tragic Than the Slaughter of Nanjing**

He compares the siege of Changchun to the great slaughter in Nanjing as the "cruellest, most savage war."

Refuting the Chinese Communist "bloodless victory" thesis, he says that "the capitulation of a defending force of 100,000 without firing a shot should be the greatest good. But what of the bodies and the white bones of the common people all around? Is there some distinction between cruelty and humanity when people are slaughtered in the twinkling of an eye and when they are slowly starved to death?"

Moreover, the hypocritical Communists even said, "the crime of the common people's starvation and poverty has to be placed at the doorstep of the enemy army and the enemy government. It widened their contradictions with the masses and isolated the enemy."

Even though *White Snow, Red Blood* reveals numerous other examples of Chinese Communist cruelty, perfidy, and turning truth on its head, all of them pale in comparison with the appalling reports of the siege of Changchun. These disclosures can even enable the common people of the mainland today, who continue to be humbugged by the Chinese Communists, to see clearly the true face of the Communist Party.

This book also contains numerous events that violate taboos in the eyes of the Chinese Communists, such as objectively and impartially describing and evaluating Lin Biao's and Ye Qun's hurling of Wenduerhan [3305 6757 1422 3063] to his death. However, the chapter on Changchun alone was enough to make the Chinese Communists fly into a rage and launch a criticism of the author. Most recent reports say that the author, Zhang Zhenglong, has been jailed.

That this book was published after the 4 June events has to be considered a marvel, but it shows that the Chinese Communist armed forces today not only are not a monolithic bloc, but that there are many military men who dare to accept the truth and resist tyranny just like Zhang Zhenglong, the author of *White Snow, Red Blood*.

#### **Ordnance Expert Discusses New Tank Plans**

91CM0117A Beijing BINGQI ZHISHI [ORDNANCE KNOWLEDGE] in Chinese No 6, 15 Nov 90 pp 26-27

[Article by Ge Yi (2047 1707): "Criticizing Yang Chuanlin's New Main Battle Tank Plans: An Interview With Chinese Ordnance Expert Zhang Ruisheng"]

[Text] Since the article "On Tentative Plans for a New Model Main Battle Tank" by Yang Chuanlin [2799 0278 2651] of Shanghai's Baoshan Iron and Steel (Mistakenly identified as Yang Chuanren [2799 0278 0088] in the original article. Apologizes have been extended to the author.) was published in the No. 2, 1990 issue of BINGQI ZHISHI, a number of readers have sent letters commenting on the tank designed by Comrade Yang Chuanlin (abbreviated below as "Yang's plan"). Faced with many different letters with a number of reservations, we visited Zhang Ruisheng [1728 6904 3932], vice chairman of the board of the Chinese Munitions Institute and senior engineer. After carefully reading some representative readers' letters, Vice Chairman Zhang enthusiastically and conscientiously answered several of their questions.

The discussion began with Yang's most peculiar concept, "all-wheel drive." Vice Chairman Zhang said, "Overseas they also had a multiple-axle drive concept, but, because the structure was too complicated and the drive efficiency was too low, they were unable to realize it. It is even more unacceptable to install as many main drive wheels (200) and auxiliary drive wheels (200) in a tank as the author envisions. For example, the American M1 tank uses a 1,500 horsepower gas turbine truck engine. The average output power of each of the two main drive wheels is only about 600 horsepower. The West German

Leopard II tank uses a 1,500 horsepower diesel engine. The output power attained by each main drive wheel is only a little over 500 horsepower. It is obvious that the efficiency of modern power drive systems is rather low. If the efficiency of hydraulic transmission systems is included, their overall drive efficiency is about 75 percent. The more complicated the transmission system, the lower the mechanical efficiency. If a tank is equipped with upwards of 100 main drive wheels, we have to concern ourselves with compensating for power differential because of the unequal load on different main drive wheels on opposite sides. This transmission mechanism is too complicated and there is presently no way to accomplish it. We must remember one principle: While satisfying user requirements, we must make every effort to make a tank reasonably priced, simple, and convenient to use and repair.

When discussing the proposal to install two engines in a tank, Vice Chairman Zhang said, "This design concept, which stresses weapon reliability, is commendable. Some people in other countries have also tried something similar. For example, in the early 1950's, the Soviet Union had a 76-mm self-propelled howitzer equipped with two serial connected engines. There also is the famous Swedish 'S' tank. It uses two parallel connected engines. One, a 240-horsepower internal combustion engine using many types of fuel, is the general-purpose engine. The other, a 490-horsepower Boeing Type-553 gas turbine, is used in battle and cross country. I have not yet seen any other main battle tanks equipped with two engines. In modern tanks the less space that the engine occupies the better, and the greater the power output the better. We still have not found a high-powered engine compact enough to install two in a tank engine compartment at the same time. We attempted to install two small Chinese gas-turbine helicopter engines in a tank. After complete testing, they had to be rejected because they were large and low-powered.

"Yang's plan' to simultaneously install two 730-horsepower engines in the tank he is designing would be difficult to accomplish with the present type of engines, because they would take up too much space. Moreover, the maximum speed of the tank that he arrived at is also not scientific enough, because tank speed is limited by many factors—vehicle weight, engine power, drive system, and propulsion system. Tactical requirements must also be taken into consideration. They also are actually an engineering system. One-sidedly seeking high speed is often not worth the effort. Yang's concept of a main battle tank with a speed of 120 kilometers per hour is not attainable with present technology."

I interjected, "I think what you mentioned about new plans and concepts needing to be scientifically proven is very important. After this article was published, a great many readers sent us drawings of tanks they had designed such as the 'Type 90 Advanced Tactical Light Tank' of Changchun's [7022 2504] Fu Zhanjiang [0265 0594 3068]; the 'T-90 Northeast Tiger' Tank of Deng Xiaofeng [6772 2556 1496], Chongqing, Sichuan; and

the 'Future New Model Main Battle Tank' from the barracks of the Beijing Armored Engineering Institute. Quite a few of these design concepts were unique, new, and original. But there also were quite a few that only reflected good subjective aspirations and still require a great deal of scientific testing to make them a reality. Certainly, with scientific testing we could discover which of those are feasible and which are not feasible."

"Right. For a concept to be realized requires repeated scientific testing. Especially such a large weapon as a main battle tank must take the scientific and technical base into consideration." As Vice Chairman Zhang looked through the readers' letters that I passed to him, he said, "Take Yang's plan. He installed such new technology as guided missiles and radar on a tank. That is like with a person. If he eats too much, he will get indigestion. One-sidedly pursuing the new and the comprehensive, can divorce one from actual tactical requirements. For example, if a tank is equipped with radar (surveillance and tracking) and guided missiles (surface-to-air), it becomes an anti-air-combat vehicle. We must remember that a main battle tank with an anti-air-warfare vehicle capability is technologically difficult to accomplish, and creating an expensive tank also does not conform to China's national characteristics. A tank is an operational weapon. So, the guiding ideology for its design should be geared toward the nation's present 'threat' and future potential 'threat.' It must have the capability to 'defeat the enemy' in battle. Every design should adhere to the tactical and strategic thinking mentioned above and not simply pile on new technology. I would like to make a point here. No matter whether these proposals and concepts are feasible or not after testing, they are all commendable. Certain tank design concepts and sensible proposals often come from the masses, especially tank force soldiers. We should pay attention to and respect their ideas, including Comrade Yang Chuanlin's ideas."

"How do you feel about forward installation of tank engines?"

"This also is an issue that has all along concerned tank design experts from various countries in the world." Vice Chairman Zhang said, "In the contradiction between tank protection and antitank weapons, in recent years, antitank weapons often have tended to be developed faster than armor."

"Today evaluation of a tank's self-defense capabilities is not simply expressed in terms of the armor's shellproofing, but is an evaluation of the tank's survivability. So-called survivability can be simply explained as a tank in combat that is difficult for enemy means of detection to detect, difficult for enemy fire control systems to lock onto after it is detected, difficult for enemy firepower to hit after they have locked on, and does not produce casualties to the crew when it is hit, as well as a vehicle that is easy to salvage and repair. All of the world's advanced nations are seeking various means to improve

tank survivability. One effective means is forward installation of the engine. This also means that the very front, the most easily attacked part of the tank, not only has the protection of the main armor, but also has the additional propulsion compartment (including the engine and its auxiliary systems) acting as a buffer zone between the main armor and the crew, greatly increasing the tank's survivability. Forward installation of the engine can cause over 80 percent of the total weight of the vehicle to act as protection for the crew. This arrangement embodies in its design the thought that 'people are the most valuable factor.'"

Then we discussed another characteristic of Yang's plan—installing a 152-mm main gun. Vice Chairman Zhang said, "If we disregard the tank's weight limitations, it is possible to install a compact 152-mm tank gun on a 60-ton tank. But the surface gun in current use is too heavy and too large, and it also is not a short trajectory tank gun. So, the 152-mm gun cannot be used. Use of a 152-mm main gun as in Yang's plan, moreover, does not consider weight, size, and recoil. It is very hard to erect the barrel as a ventilation pipe when making a submerged crossing, because the tank gun breech and cradle are very large. It has an elevating recoil mechanism, a stabilizer system, an aiming system, and an anti-impact guard. Some guns also are equipped with installations such as an automatic loader. For such a monstrosity to move up and down 100 degrees (+90 degrees to -10 degrees) inside the tank, the volume of the crew's compartment would have to be expanded too much, quite a

bit would even have to be added to the height of the vehicle, and a large opening would have to be cut in the top of the gun turret like the opening in an astronomical observatory. This would not only reduce the shellproofing, but it also would cause increased problems for the seal. In addition, when a tank is making a submerged crossing, it requires the intake of a great deal of air and the crew also has to exit and enter through the ventilation pipe in emergency situations. This is why the 152-mm gun barrel is unsatisfactory. It is also too difficult for a tank to make a submerged crossing at a 10-meter depth, because at 10 meters the water pressure increases the back pressure on the tank engine exhaust too much and engine power can be reduced so much that it cannot move the tank tracks."

After listening to what Vice Chairman Zhang had to say, I could not help but feel that "what seems exciting to an amateur seems natural to an expert." When I returned to the office and looked again through each of the letters from readers, I felt even more that several friends like Gao Wei [7559 0251] and Gan Lin [3927 7207] from Maanshan [7456 7254 1472], Anhui; Xiong Wei [3574 0251] from Xian; Liu Liang [0491 0081] from Henan; Li Guo [2621 2654] from Chengdu; Zheng Xianglian [6774 4382 6969] from Shanghai; and Dong Liwei [5516 4539 0251] at the middle school attached to Beijing's Qinghua University had an evaluation of Yang's plan similar to Vice Chairman Zhang's. In addition, several readers gave their own views, which, due to space limitations, were not listed here individually.

## CENTRAL-SOUTH REGION

**'Double Basics' Education Explained**

91CM0107A Guangzhou GUANGZHOU RIBAO  
in Chinese 4 Nov 90 p 1

[Commentator's article: "Double Basics' Education Must Be Firmly and Properly Undertaken"]

[Text] Currently Guangzhou City has already started working in all areas to educate staff and workers about basic national conditions. For the first time it is beginning to see some results. This is a project of vital and lasting importance, and it is related to the national situation and the organization of worker and staff teams. Each system and unit must give ample attention to handling this work firmly and properly. A full understanding of the meaning of "double basics" education is a prerequisite for ensuring the successful completion of this work. Conducting "double basics" education for workers and staff is a basic building block in Guangzhou's effort to strengthen ideological work, and it is an important measure in improving staff and worker quality, as well as an important measure for stabilizing the overall situation.

At present, the municipality has more than 1.8 million staff members, equal to approximately one-third of the municipality's population. More than 60 percent of staff and worker teams is made up of young workers. Young workers are characterized by a fondness for studying and making progress, although most have never received a systematic ideological and political education, and lack a positive grounding in Marxism-Leninism and Mao Zedong thought. They have not experienced a systematic education concerning basic national conditions and the basic line, and do not understand much about China's history or present situation. In conducting "double basics" education, it is necessary to relate China's history and present situation to staff and workers, to allow them to understand China's past and present. This will also enable them to understand why China must walk the socialist path, adhere to the leadership of the Communist Party, and firmly and unshakably implement the principles of the party's basic line. After undergoing a systematic ideological and political education and a positive instilling of the basic theory of Marxism-Leninism and Mao Zedong Thought, vast numbers of cadres and employees can grasp the basic line of "one center, two bases." They will comprehend the historical mission of the working class, and thereby carry forward the glorious traditions of the working class, strengthen their faith, overcome difficulties, and build a socialism that makes full use of wisdom and intelligence. At the same time, undergoing "double basics" education allows staff and workers to know a bit more about history and the current situation. It deepens their knowledge somewhat, and enables them to improve their ability to judge right and wrong. It will also allow them to consciously resist the schemes of Western reactionary forces, and use an attitude of being master of their own affairs in order

to create an overall situation in which unity is consciously upheld and maintained.

In launching "double basics" education, Guangzhou has grasped the essentials of this work rather early. At the start of this year, the municipal party committee's propaganda department was already mobilizing its manpower to compile a book entitled *Basic National Conditions and the Basic Line* to serve as the basic teaching material for this education. Each system and each unit, based on a conscientious summary of the successful experience of Guangzhou's enterprises in the political training and rotation of young workers in 1983 and 1985, and in accordance with the new situation and requirements, must truly undertake and properly handle "double basics" education. They must practically achieve the "three implementations" based on relevant requirements of the central and municipal authorities. This means implementing work organization, study time, and staff participation. The key to ensuring the "three implementations" lies in having party and government leadership at all levels pay serious attention to this matter. Party organizations at all levels cannot view it as a "soft task," to be dealt with or neglected, but must treat it as a strategic task, putting it on the daily agenda of important business, making appropriate arrangements, carrying through to the end, and guaranteeing the work by providing adequate manpower, material, time, and funds.

In launching "double basics" education, it is necessary to complete the educational program while maintaining quality and quantity. It should by no means be handled in a careless, formalistic, or perfunctory manner. While studying, it is necessary to amply develop a fine study style that relates theory to practice and to the reality of one's own municipality, system, and unit. It is necessary to conduct education and discussions in a purposeful manner, to pay attention to adopting a vivid and lively style which is endearing to the masses, to explain the profound in simple terms as much as possible, and to reach deep into the hearts of the people. One must especially pay attention to handling "double basics" education properly, raising the internal enthusiasm of the vast numbers of staff and workers, and making them the motivating force in further developing production.

**Guangdong Organizes 'Double Basics' Education**

91CM0107B Guangzhou GUANGZHOU RIBAO  
in Chinese 4 Nov 90 p 1

[Article by reporter Li Siqun (2621 1835 5028) and correspondent Zhou Suqin (0719 4790 0530): "Guangzhou Launches Various Forms of 'Double Basics' Education"]

[Text] "I left my village and went to work in a factory. I wore a worker's clothes, but I did not even know what the working class was. After undergoing education on basic national conditions and the basic line, I understood the historical mission of the working class, and I gained

a sense of responsibility for my own affairs." This is the experience of one young worker at a Guangzhou vehicle factory. At present, Guangzhou is progressively promoting "double basics" education for enterprise staff and workers. Of the city's 88 areas, counties, bureaus, and company headquarters that have agreed to launch this education, some 60 percent have already begun work.

Each responsible department and each enterprise manager is making "double basics" education the main content of current enterprise work, in order to master joint management by party and government worker groups. Many enterprises are arranging proper "double basics" education at the same time that they assign production tasks to lower levels. Company headquarters for the chemical industry requires enterprise managers to study mobilization, give lectures, sit in on classes, and participate in discussion meetings. Some factories organize teams and groups of office employees to go on duty or work overtime when production tasks are difficult, to ensure that workers will have the opportunity to study. Each unit has actively organized and set up educational personnel teams, arranged lesson preparation teams, developed courses that teach by demonstration, and increased understanding through teaching exchanges. Each unit has commonly established a personal responsibility system for educators and management personnel, as well as a management system for student attendance, teacher and student appraisals, examinations and awards, and training and rotations. One Guangzhou papermaking factory has also set up a scholarship for political training and rotations, and has given awards to employees who study conscientiously, observe discipline, and achieve outstanding results.

Each unit handles contradictions between work and study according to the actual situation, so that "double basics" education will develop in many ways and take many forms. Many units divide educational goals into different levels and use rotational training to handle them. Some propose different requirements based on the different production management characteristics of their subordinate enterprises. For example, one shipping company headquarters uses a method involving decentralized self-study, centralized tutoring, and final examinations for young shore-based workers. In addition, it arranged for at least 60 class hours of rotational training, with time off from production, for key workers. Other workers use the time before and after work or during power outages and production stoppages to gather for study; they study for at least 40 class hours. Service and tourist offices require that taxi companies gather their drivers together for morning classes every two weeks. Tourist industry units arrange study by organizing more classes during the off season and less during the peak season.

In order to increase the real results of "double basics" education in terms of content and methods, each unit stresses mastering the "four links" properly. The first link is that between the systematic instilling of ideas and

the resolution of difficult and interesting points in employees' ideology. This brings the teaching of political theory and the thinking of employees closer together. Based on an investigatory analysis of employees' thinking, a metallurgy company headquarters is stressing the need to strengthen education about socialism and the leadership of the Communist Party, as well as education about developing a spirit of being master of one's own affairs, a spirit of respectful tribute, and a spirit of arduous struggle. The second link is that between teaching about national conditions and teaching about factory and shop conditions. This brings education about political theory and education about the reality of the enterprise closer together. Enterprises in the electrical equipment, parks, and chemical industry systems make associations with their own history and current situation in order to help employees understand national conditions better and to foster a way of thinking that understands the larger system and considers the situation as a whole. At the same time, a deeper understanding of factory and shop conditions will establish a way of thinking that is earnest, down-to-earth, and that stresses doing one's job well. The third link is that between instilling ideas in the classroom and lively, supplementary activities. This strengthens the attraction and appeal of education. At the same time that they instill ideas in the classroom, many units also arrange for employees to view videos and movies whose contents are related to "double basics" education. They also develop essay competitions, knowledge tests, and reading and lecture meetings, and open up second classrooms to allow students to broaden their knowledge and get an education. The fourth link is that between theoretical study and practical activities that develop or improve production management and increase economic efficiency. This increases the effectiveness of education. In the course of "double basics" education, some enterprises are mobilizing employees to participate in the "double increase, double economy" drive, to rationalize proposals, and to be active in labor competitions. This is done in order to help employees translate a consciousness of being masters of their own affairs into practical action.

#### **Hainan Holds Antipornography Telephone Meeting**

*HK0901030991 Haikou Hainan Provincial Service  
in Mandarin 2300 GMT 4 Jan 91*

[Excerpts] Yesterday evening, the provincial antipornography leading group held a provincial antipornography telephone meeting to sum up our province's first-stage antipornography work experiences and plan our second-stage work.

Miao Enlu, secretary general of the provincial party committee standing committee; and Xin Yejiang, vice governor and director of the provincial antipornography leading group, delivered speeches at the meeting.

When summing up our province's first-stage antipornography work achievements, Comrade Xin Yejiang said that leaders at all levels have placed antipornography struggle high on their work agendas, carried out the antipornography struggle in a down-to-earth manner, and regarded the struggle as beneficial to our future generations. [passage omitted]

When speaking of the tasks of our province's second-stage antipornography struggle, Vice Governor Xin said that we must redouble efforts to investigate, crack, and handle major and serious cases and resolutely and thoroughly weed out pornography. At present, our efforts must center on censoring videotapes. We must strictly abide by the relevant policies. While carrying out the antipornography struggle, we must do things in accordance with the law as we have always done, continue to combine the antipornography struggle with the struggle aimed at weeding out the six vices, and formulate relevant laws and regulations in this regard in order to legalize and standardize our province's cultural market management on a scientific basis. Furthermore, we must continue to adhere to the principle of simultaneously promoting the antipornography struggle and cultural prosperity and further invigorate and make prosperous our province's cultural market.

Comrade Miao Enlu talked about some questions which merit our attention in the course of the antipornography struggle. He emphatically pointed out that, in order to crack major and serious cases, we must meticulously and painstakingly carry out our work. Only by carrying out in-depth investigations will we be able to find out the very source of pornography. We must also learn how to fight against covert activities.

He also stressed that, at present, greater efforts must be made to strengthen cultural market management and further enrich the cultural life of the broad masses of people.

### **Shenzhen Public Security Cracks Down on Gangsters**

*HK0301101891 Hong Kong HSIN WAN PAO in Chinese 3 Jan 91 p 4*

["Special Dispatch": "Shenzhen Cracks Down on Gangsters and Uncovers 60 Gangs"]

[Text] Guangzhou, 3 Jan (HSIN WAN PAO)—Over the last few years Shenzhen City public security organs at various levels have clamped down hard on gangsters and gangster-related organizations and activities. These efforts have produced some results: Last year the city's criminal cases were reduced by 13 percent and social order was defended.

Owing to its geographical position, gangster organizations often sneak in from outside the Shenzhen Special Economic Zone to pursue various illegal and criminal activities. Some dine and take things without paying their bills and demand "protection fees." Some are

engaged in smuggling goods, drug trafficking, and organizing activities to assist in smuggling people. Some gangsters control prostitution rings and force decent women into prostitution. Others patronize prostitutes, gamble, and are involved in fighting, assault, and robbery.

Between August and December 1989 alone, the city identified 60 gangster clans or gangster-related organizations with a total membership of 300; arrested 2,441 lawbreakers and criminal elements; cracked down on 330 crime rings totaling 1,293 people; and, in relation to the above-mentioned gangs, cracked 1,871 criminal cases, of which 930 were of a particularly serious nature.

Last year, Shenzhen public security organs uncovered, on different occasions in localities such as Futian and Yantian, relatively well-hidden gangster-related gangs and organizations involved in various criminal activities. They arrested a number of gangsters belonging to gangster clans from outside the city territory who had sneaked into the city to conduct sabotage.

## **NORTHWEST REGION**

### **Atheism Mandated for Turpan Party Members**

*91P30060A Urumqi XINJIANG RIBAO in Chinese 29 Oct 90 pp 1, 3*

[Article by Turpan Regional CPC Committee: "Strengthen the Building of Grassroots-Level Party Organizations, Solve the Problem of Party Members Believing in Religion"]

[Text] A few years ago, due to relaxation of party education and management of religion, in our district, it was common for party members to believe in religion. The act of party members participating in religious activities not only corrupted party member's ideology and lowered the party's prestige among the masses, but also helped to expand the influence of religion. This is not only a problem within the party, it is also a social problem. In recent years, after repeated investigation and research, we have summed up and discovered some solutions for handling the outstanding problem of party members believing in religion in the minority areas.

### **I. Seriously Conduct the Education of Party Members, Solve Ideological Misconceptions About Joining the Party**

As far as the content of education is concerned, we carry out systematic education mainly in the following areas: party character, party purpose, party discipline, Marxist nationality concepts, party nationality policy, and theories of atheism. First, we explain clearly to the party members that Communist Party members can firmly believe only in Marx-Leninism, and that they cannot have faith in religion. The party's freedom of religion policy absolutely does not say that Communist Party members are free to have faith in religion. Communist Party members are members of a Marxist political party



and are materialists; unlike the ordinary public, therefore, Communist Party members must not have faith in religion and must not participate in religious activities. For a Communist Party member to have faith in religion is an indication that his party character is not pure, and it is a violation of the party constitution. Second, we help to make a clear distinction between religious doctrine and the aims of the party. Some party members mistakenly believed that the religious doctrine that asks people to "be kind and do good deeds" is the same as the Communist Party's fundamental aim that party members serve the people wholeheartedly. It is toward this kind of muddled understanding that we conduct lectures on the purpose of Communist Party members serving the people so as to liberate mankind and realize communism. On the other hand, the religious doctrine that preaches "be kind and do good deeds" is meant to lead the public to transcend reality; it is only a spiritual opium meant to poison the people.

In the methods of education, we try to offer as much variety as we can, and we stress quality and demand practical results. For example, we invite superior party members to come to discuss their experiences and their personal feelings, to discuss the reasons why Communist Party members cannot believe in religion. We take advantage of various commemoration dates, propaganda day activities, and people's negative experiences to carry out effective ideological education. We use the riots of 19 May 1989 and this year's counterrevolutionary rebellion in Baren Township, Acto County, as negative examples in party member study and discussion sessions to make party members understand that a small group of bad people used religion to attain their anti-party, antisocialism criminal goals. In order to raise the quality of education, in addition to taking advantage of county and villages party schools' system of training party members in rotation, we also fully utilized the effects of audiovisual education programs. Since 1988, in our district we have founded district, county (city), and village (town) levels of an audiovisual party educational network. Altogether, we duplicated 63 sets (volumes) of party education teaching material. We even produced our own educational movies on Communist Party members adhering resolutely to the communist faith, not participating in religious activities, resolutely resisting pressures of religious forces, and other such topics. Through the use of audiovisual education, we received excellent results.

When educating party members, we also expel those members who are engaged in religious work but are still unrepentant even after education and those who participate in and use religion to oppose the party and socialism.

Through education most party members make great progress in ideology. They are able to use Marxist concepts to analyze religious issues, and some party members who participated in religious activities in the past now indicate that they no longer want to participate in religious activities.

## **II. Build a Superior Party Branch Leading Group, Strengthen the Ability To Resist Corrosive Religion**

The village party branch is the core of the party's leadership in rural areas. Only by strengthening party branch building can we strengthen the management of religious affairs, the management of party member education, and our ability to resist corrosive religion.

The areas where it is prevalent for party members to believe in religion tend to be poor villages with weak party branches. The work, therefore, must begin with building a good party branch leading group in those areas. Since 1987, we have transferred a great number of cadres to villages and rectified three kinds of party branches by groups at different times. At present, we have rectified over 90 percent of the party branches and have selected and matched party branch secretaries to various party branches. Among 753 transferred cadres, 211 are now working as party branch secretaries and party branch vice secretaries. This has caused the existence of three kinds of party branches to decline from 60 percent to eight percent. In the past, in this entire region, party members believing in religion was most common in Tu Gu Gou village of Shan Shan County due to weak leadership at the grassroots level. Last year, after the strengthening of party organization leadership at the village level, in less half a year we fundamentally solved the problem of party members believing in religion.

## **III. Strengthen the Management of Older Party Members**

Among minority party members, there are a great number who joined the party during the movements for reduction in rent [a party policy during World War II], opposition to local despots, land reform, and for the cooperatives. Currently, 70 percent of these party members live in rural villages. They made precious contributions to the undertakings of our party. Most of them are retired now and are confronted with the problems of how to preserve the true character of party members and how to live out their old age without insurance. In the villages where these two problems are solved satisfactorily, older party members retire from work but not from the party, and they always adhere to the communist faith. In some villages where these problems were not satisfactorily solved, some party members, after retirement, chose to participate in religious activities. These older party members are well-respected by the public, and they are the focus of contention between the religious forces and the party. Since 1987, we have been attentive about doing a successful job in this area. First, older party members' sense of political honor must be strengthened. We asked that all leading cadres, when going down to the grassroots levels and villages, call on village older party members. Every year, before and after "1 July," the regional, county, township, and village-level party organization leaders must visit families and households, and start a trend in greeting older party members. They should solicit the opinions of older party members, and help them to solve difficult problems. This year, right

before "1 July" the regional party committee bestowed the title of "Never-Fading Older Party Member" on 23 older party members from villages and is providing them with a supplemental living stipend. Furthermore, the regional party committee turned their conduct and life stories into books and movie series for the public to view. The regional party committee has also organized these older party members to carry out propaganda lectures at the grassroots level. Second, practical measures must be taken to solve the day-to-day problems of older party members. Townships and villages with good economic conditions must provide regular supplemental living stipends to older party members. Monthly stipends must be based on one yuan for every year of party membership, and one yuan for every year of employment. Townships and villages with poor economic conditions should provide intermittent supplemental living stipends to older party members. Some townships and villages have increased the size of retirement land given to older party members as a supplement to their pension. This dispels older village party members' worries and their concern for troubles in their old age, and consequently increases the cohesive power of the party and estranges the influence of religion.

#### **IV. Strengthen the Management of Religious Activities, Religious Grounds**

To solve the problem of party members believing in religion, it is not enough to take charge of party members: Strict management of religious activities and religious grounds must be implemented. We have established regional, county, township, and village-level nationalities religious affairs organizations to combat the serious problems of religion interfering with grassroots-level party organizations, state political organizations, and party members being converted through intimidation. Every mosque has established a Democratic Management Committee of Mosques [DMCM]. There are 3,497 DMCM members for 881 mosques in this region. Furthermore, we have made the management of religious activities and grounds where religious activities take place a part of the legal system; therefore, we have eliminated the external pressure put on party members to convert.

#### **Kashgar Clamps Down on Religious Activity**

91P30070A Urumqi XINJIANG RIBAO in Chinese  
7 Nov 90 p 1

[Unattributed article: "Putting Religious Activities on Track With the Legal System—Kashgar Prefecture Conducts Democratic Evaluation of the Clergy"]

[Text] Since mid-May, all levels of the United Front Work Department of Kashgar Prefecture have learned a lesson from the counterrevolutionary armed rebellion in Baren Township. Under the leadership of the regional party committee, they are now conscientiously implementing the party's policy of "stability overrides everything." Furthermore, in order to counter the problems

created by the religious organizations and religious activities in our prefecture, they have started the process of democratic evaluation of the clergy.

In counties and townships of the prefecture, different deputy party secretaries have been appointed to be in charge of party leading groups that separately manage the United Front Work Department and religious work. Every village has organized its own democratic evaluation group, whose members are chosen from village cadres, representatives from the party and the Communist Youth League, and also from public representatives. The party and government organizations have released a number of cadres to form work groups to conduct propaganda and mobilization among the grassroots levels. The work groups are also to find out the intentions of those to be democratically evaluated and categorize them. Through the method of combining self-evaluation with public evaluation, the work groups selected 409 advanced religious personages. At the same time, the work groups dismissed from clerical work those who forced youth to believe in religion, established private religious schools, collected illicit fees, forced women to wear the veil, engaged in illegal cross-regional religious activities and those who refused to obey the correct leadership of the grassroots-level party and government organizations. The work groups also first dismissed from work those who supported the Baren Township counterrevolutionary rebellion with money and resources, and then turned them over to the public security departments.

Since the democratic evaluation of the clergy took place, village grassroots party organizations and cadres have changed from being fearful of managing religious work to managing religious work with perfect assurance. During democratic evaluation of the clergy, the masses exposed Abdusur Hoja, the imam of Long Pu village, Ying Ji Sha Township, who provided money and food for the Baren Township counterrevolutionaries. The township party committee immediately convened a public meeting to announce that he was dismissed from his clerical position. The public security department also placed his case on file for investigation and prosecution. Since the launching of democratic evaluation of the clergy, the party and Communist Youth League members and cadres who in the past were forced to participate in religious activities now do not participate in religious activities with good conscience. Furthermore, the public has also gained a real freedom to believe or not to believe in religion. Through democratic evaluation of the clergy, all of the private religious schools have also been dismissed. Two hundred twenty-nine schools for teaching scripture and 2,259 students were uncovered. At the same time, the devious trends of wanton restoration and building of mosques without authorization have been stopped. Religion's illegal interference in administrative, judicial, cultural, educational, marriage, and planned parenthood matters has been stopped and attacked. Thus, religious activities have now begun to be put on track with the legal system.

Vast numbers of grassroots cadres, peasants, and religious personages have gained a heightened ideological awareness now through study and participation in democratic evaluation, and therefore good deeds and new activities which transform social traditions are emerging in an endless stream. Yin Ji Sha County has established a "marriage and burial affairs committee" for every county village to serve atheist cadres' marriage and burial needs, and to help dispel their worries.

**Tomur Dawamat Reports on Visit to Soviet Union**

*OW1912081790 Urumqi Xinjiang Television Network  
in Mandarin 1400 GMT 18 Dec 90*

[From the "Xinjiang News" program]

[Text] Tomur Dawamat, chairman of the Xinjiang Uygur Autonomous Region People's Government, yesterday reported in the autonomous region government auditorium on his visit to the Soviet Kazakh and Uzbek Republics. Regional leaders attending included Song Hanliang, Feng Dazhen, Hederbai, and Jin Yunhui. More than 700 principal responsible comrades at and above department and bureau levels in the autonomous region attended the report meeting. [video opens with midrange shots showing Tomur Dawamat seated and speaking, flanked by four other attendees on each side]

In his report, Tomur Dawamat said that China and the Soviet Union are neighboring socialist countries. Xinjiang and the republics of the Soviet Central Asian region are neighbors linked by common mountains and rivers. The ancient Silk Road recorded the history of the age-old friendship between the Chinese and the Soviet people. Both sides resumed trade, opened up border ports, and made progress in friendly cooperation in the wake of China's opening to the outside world. There has been a continuous increase in the volume of trade. In the last couple of years, the opening of common passage, the linkage of rails, and direct telephone service between China's Xinjiang and the adjoining Soviet Central Asian regions created even more favorable conditions for developing friendly cooperation between the two regions.

The visit was a success. Both sides deepened their mutual understanding, enhanced their friendship, expanded areas of cooperation, signed documents and agreements for long-term cooperation, and achieved results in many areas that are of great significance in promoting the economic development of Xinjiang.

**Xinjiang Government Checks Frivolous Spending**

*OW2112073090 Urumqi Xinjiang Television Network  
in Mandarin 1400 GMT 18 Dec 90*

[From the "Xinjiang News" program]

[Text] The autonomous regional people's government yesterday issued a circular urging all localities and departments to strictly prohibit the use of public funds for feasts, extravagances, or wastefulness during the New Year and Spring Festival period.

In its circular, the autonomous regional people's government reiterated: Administrative organs, enterprises, and establishments at various levels throughout the region must seriously implement the relevant regulations of the central authorities and the autonomous region, supervise the work of checking on honesty in the government and of conducting self-check and self-rectification in trades and professions, and promptly and earnestly correct any malpractices uncovered.

Leaders at various levels should be honest themselves. They should neither offer nor accept feasts, but should take the lead in boycotting the malpractice of using public funds for feasts and entertainment. In addition, it is necessary to strictly prohibit the indiscriminate distribution of money, commodities, and souvenirs. Banks and financial departments at various levels should exercise supervision, conduct inspections, and accept supervision by the masses from the top down. After uncovering units that have violated regulations, inspection departments at various levels should handle them seriously, and retrieve all the funds that have been used illegally.

**Taiwan Reporter Joins Antarctic Survey Team**

OW2212130790 Beijing XINHUA Domestic Service  
in Chinese 0227 GMT 21 Dec 90

[By reporter Xu Yuenai (6079 6885 0035) and correspondent Fu Qingwei (0265 3237 3262)]

[Text] Fremantle (Australia), 20 Dec (XINHUA)—The Seventh Antarctic Survey Team of China threw a party aboard the Jidi [Polar Region] oceangoing scientific survey ship in its berth in Port Fremantle, Western Australia, on 17 December to welcome Wang Zhihong, a special reporter from Taiwan's DADI DILI [EARTH GEOGRAPHY] publishing house, formally accepting him as a member of the Antarctic survey team. Thus, the dream that compatriots from the two sides of the strait might sail on the same ship has come true.

The Chinese Antarctic survey team arrived in Port Fremantle on 17 December.

Speaking at the welcoming party, team leader Zhang Jidong said, "We sincerely welcome Wang Zhihong on our expedition to Antarctica. It is delightful that compatriots from the two sides of the strait will sail in the same ship on an expedition to the South Pole. This marks the beginning of cooperation in Antarctic surveys between scientists on both sides." He expressed the hope that more scientists and people from various Taiwanese circles will join compatriots from the mainland in expeditions to the South Pole.

Wang Zhihong said, "It is my honor to join the Chinese Antarctic survey team. I am deeply touched by this welcoming party." He pledged to do his best to publicize

the Chinese Antarctic team's achievements so that more Taiwan compatriots will understand and exhibit their interest in the Chinese nation's Antarctic survey.

Ms. Li Yueshi, a Hong Kong reporter who is also a member of the survey team, attended the welcoming party.

The Jidi oceangoing scientific survey team will depart Port Fremantle on 22 December for Antarctica.

**Taipei Ice Sports Group Visits Jilin**

SK0501085491 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 4 Jan 91

[Text] At the invitation of the Liaison Department of the All-China Sports Federation, an 11-member Taipei ice-snow sports investigation group led by Mr. (Tang Enjiang), chairman of the board of directors of the Taipei Ski Association of China, arrived in our province on 4 January.

On the evening of 4 January, Zhang Yueqi, president of the Ski Association of China, met with and feted the Taiwanese guests at (Qingyu) Hotel.

The Taipei ice-snow sports investigation group is the first official sports group to visit Mainland China since the Asian Games. During its stopover in our province, the group will investigate our province's Changchun ice-sports training base, the Songhua Lake skiing base in Jilin City, and our province's situation in carrying out ice sports. It will also explore ways to send Taiwan ice-sports athletes to Mainland China for training and to invest in building ice-sports training places.

### Current State of Multiparty System

91CM0018A Hong Kong KAIFANG [OPEN  
MAGAZINE] in Chinese No 9, 15 Sep 90 pp 78-79

[Article by Wu Pi (3527 3024) entitled: "The Current State of Taiwan's Multiparty System—Half of the KMT Members Are 'Missing'"]

[Excerpts] How has Taiwan's multiparty system developed since the Kuomintang [KMT] lifted the ban on political parties in 1986? What is the organizational condition of the ruling party?

### Number of Registered Political Parties Reaches 54

According to statistics from mid-August of this year, a report by the Ministry of the Interior lists the number of political parties in Taiwan at 54, with the newest being a party called the Everything for the Public Party. These parties cover a broad spectrum, and it is quite a treat to merely glance at the names of the new parties established this year.

The China Government of the People Party, the China Wealth of the People Party, the China Equal Wealth for All People Party, the China Great Harmonious Society Party, the China Uphold Justice Party, the China Taiwan Native Democratic Party, the Resurgence Party, the Democratic Republican Party, and the Independent Administration by the People Party, have all entered the political arena. The maverick Chu Kao-cheng [2612 7559 2973] is planning to form a party called the China Social Democratic Party.

How many people belong to these 50-odd new political parties in Taiwan? It certainly is not more than 100,000 people; each party has an average of 1,000 people. Taiwan's second largest party, the Democratic Progressive Party [DPP], was established five years ago and currently has a membership of roughly 21,000. Any attempt to determine KMT membership runs up against "muddled accounting books."

### KMT Loses 1.5 Million Members

The KMT claims to have four million members, but recently Ch'en Chin-jang [7115 6855 6245], head of its Organizational Department (and director of trade union formation), stated that party headquarters had detailed information on party membership, and that membership amounted to only 2.5 million. Shortly afterwards he added that there are 1.98 million party members on file, and last year 1.2 million people cast ballots in internal party elections. The unseen party members are called "missing party members," and Ch'en said that these members "could number upwards of 1.5 million!"

Li Teng-hui is greatly puzzled by this, and for several months Sung Ch'u-yu [1345 2806 3842] has said that these missing party members must be found! Where is this large contingent of more than a million missing people? Recently one clue has finally been found. It turns

out that it is not the older members but the younger ones who have rushed to join the new parties in droves.

However, only 65,000 people have been accounted for, and the whereabouts of the overwhelming majority remain "unknown." Concerning this, Sung Ch'u-yu, secretary general of the KMT Central Committee, explained that the increase in the loss of party members since Chairman Li took power cannot be blamed on Li, and that statistics are often wrong. He gave the example that, when the government moved to Taiwan, there were doubts about claims by former President Chiang Kai-shek that the mainland army which arrived in Taiwan numbered more than 800,000. A later investigation revealed that there were only over 400,000. The former president and President Li have both noted critically that the situation is a "complete mess."

### Causes for the KMT's Lack of Appeal

KMT members may be seen everywhere, from chairman down to party member, in Taiwan's several dozen new parties. What should be noted is that increasingly it is young KMT party members who are leaving and joining these small parties. Early in the party organizing process, it was retired military people and older soldiers from military units fond of power who got together and formed parties. Later it was new public servants dissatisfied with the KMT work style who formed parties. Of the 3,000 members of the New Socialist Party, 90 percent are KMT members. It was only in recent years that middle-aged people have left to form parties; most of them have been between 25 and 45 years of age, with an educational level above that of professional training. In addition, quite a few female party members go missing after they have married.

Hence many intellectuals and young party members have "lost contact" (they have not quit the party, and can maintain dual party membership), and whether they are inside or outside of the party, they consistently believe that the centripetal forces of the ruling party are quite different than they have been in the past. Naturally there are many reasons for this. Chao Shao-k'ang [6392 1421 1660], a young and vigorous member of a reform faction, recently noted that "The KMT's predicament lies in its excessive conservatism and its fallen ideals, which are inferior to those of the DPP. If it does not change from a revolutionary party to a democratic party, then after several general elections it will have to submissively hand over the reigns of political power."

Three years ago there were more than 4,000 party members at Taiwan University. By comparison, today there are only 1500. Grassroots groups have ceased to exist except in name. Hsieh Cheng-yi [6200 2973 0001], secretary general of the Labor Party, points out that the greatest crisis for the KMT is the national identity crisis:

"Where is Taiwan heading? When village grassroots levels are a swath of confusion, what does the KMT

stand for? What in fact is the relevance of the Three People's Principles and unification? Everyone is laughing!"

Li Sheng-feng [2621 0524 1496], leader of the New KMT Alliance, is bitterly critical of the power struggle going on within the KMT, and points to the internal party "struggle for power and gain, in which they group together on the common points and fight over the differences." The power struggle has no guidance or system by which it can be resolved. Those who lose leave office unwillingly and those who enter office in a precarious way are dangerous. It is only by having a policy of democratization and transparency that it will be possible to overcome the crisis.

Chang Chin-hung [1728 0193 1347], secretary general of the DPP, frankly proposes implementing direct presidential elections and having the KMT face opposition parties twice. The KMT is riddled with disease and has no medicine with which to cure itself.

#### **Overseas Dissent Intensifies**

Another manifestation of the KMT's crisis is the increasing trend of overseas dissent. [passage omitted]

At present, the KMT has to solve two outstanding problems, one of which is democratization within the party. Calls for the election of the Central Standing Committee and the party chairman are growing ever louder, and when Li Teng-hui met with representatives of the Patriotic Alliance on 27 August, he gave the positive answer that this was "absolutely the correct direction." It appears that this could be implemented at the 14th Party Congress.

#### **Popular Trust of Hau Pei-ts'un [6787 2672 2625] Exceeds That of Li Teng-hui**

A public opinion poll at the end of August indicated that the approval rating of Hau Pei-ts'un, head of the Executive Yuan, exceeded that of Li Teng-hui by seven percentage points. This was a response to Hau's opposition three months earlier to "soldiers interfering in politics," and was also a public criticism of Li Teng-hui's political achievements.

The second problem is the question of the party's use of funds. Party membership dues of a KMT member are fixed at 0.1 percent of the member's income. Because it has been in power for many years, the party is often criticized for having monopolized national resources. However, local party headquarters have inadequate funding. Overall party financial affairs must also be completely independent and public. There was even a discussion about establishing a party-run bank, raising 10 billion yuan, and allowing party workers and members to become shareholders. However this discussion was seriously attacked, and was eventually dropped.

Lack of funds for political party activities can be a mortal blow for smaller parties. If they do not have any

money, then many parties could in fact only be a blank signboard, and exist in name only.

#### **Two-Party Politics Still Not Viable**

In the end, will Taiwan be able to move towards western-style, two-party politics? It is still too early to reach any conclusion. However August's public opinion poll demonstrates that the people of Taiwan are not yet inclined towards two-party politics. Public support for the KMT has declined, hovering around 30 to 40 percent, while support for the DPP is eight percent or less.

This could be a move towards opening up, and an inevitable trend towards the industrial and business associations in a democracy. Joining a party does not carry the ideals, sense of mission, and resolute personal dedication that it did in revolutionary times. How can western democratic political parties not seem like relaxed clubs? It seems there is no question that, regardless of whether it is experiencing losses, the KMT will be able to maintain tremendous advantages in Taiwan for a comparatively long time.

#### **Effects of Renminbi Devaluation on Economy**

##### **Sharpens Competition With PRC**

91CE0188A Taipei CHING CHI JIH PAO in Chinese  
18 Nov 90 p 1

[By Taipei reporter Chang Cheng (1728 2973): "Within Not Quite One Year Renminbi Devaluated 28.9 Percent in Relation to U.S. Dollar—Taiwan's Labor-Intensive Exports Facing Serious Competition"]

[Text] Within not quite one year, Communist China's renminbi [RMB] has been devalued 28.9 percent against the U.S. dollar and 25 percent against Taiwan's New Taiwan Dollar [NTD]. The executive in charge of the foreign exchange bank pointed out that the NTD has also been devalued quite considerably during the same time in relation to most major currencies, excepting the U.S. dollar, but that the export advantages gained thereby have been limited to products of relatively high grade and to technical products. The impact of the renewed devaluation of the RMB on the competitiveness of Taiwan's labor-intensive exports is substantial enough to deserve the serious attention of all industries concerned.

The executive of the foreign exchange bank pointed out that the substantial devaluation of the RMB that has occurred twice, in December of last year and again yesterday, has resulted in a devaluation during these 11 months of about 28.9 percent in relation to the U.S. dollar, while during the same period the NTD was devalued only about four percent in relation to the U.S. dollar. This situation is creating quite a lot pressure on the competitiveness of Taiwan's export products.

The policy for the NTD adopted at the beginning of this year is to keep the exchange value of the NTD pegged to the U.S. dollar. As it happened that the U.S. dollar

declined appreciably in relation to the Japanese yen and European currencies, the NTD also declined considerably in relation to all currencies, with the exception of the U.S. dollar. Although this increased the competitiveness of Taiwan's export products, the executive of the foreign exchange bank said that this advantage of a favorable exchange rate could only benefit exports of high-tech and other very much high-quality products and did not benefit export products all along the line.

The executive of the foreign exchange bank said, Taiwan is a leading exporting country, and the quality of its products is very close to that of the other three countries of the "four small dragons of Asia." However, during the last year, apart from the Singapore currency which somewhat improved in relation to the U.S. dollar, the value of the Korean and Hong Kong currencies fluctuated little in their relations to the U.S. dollar, and these countries therefore also benefited, the same as Taiwan, from their devaluations against all currencies except the U.S. dollar.

However, during the same period, the devaluation of the RMB in relation to the U.S. dollar has had a considerable effect on Communist China's exports, especially with regard to Communist China's large-scale expansion of its export market in the United States. By comparison, as pointed out by the executive of the foreign exchange bank, Taiwan's labor-intensive export industries were most severely hit, because their main market had been the United States.

Furthermore, quite a few Taiwan firms have expanded their export activities by relocating their production lines to the mainland, and the devaluation of the RMB has therefore benefitted these Taiwan firms in enabling them to increase their exports from the mainland. However, the executive of the foreign exchange bank said that this does not mean that these Taiwan firms have gained proportionally larger profits from their mainland operations, while the introduction of their products for sale on Taiwan had even more calamitous consequences for producers of similar grade products on Taiwan.

Furthermore, even though the RMB has been devalued by almost 29 percent during the period of not quite one year, the executive of the foreign exchange bank said that it is generally observed that the exchange rate of the RMB is still not yet reflecting the true value of the RMB, and one has to be concerned about further devaluations of the RMB in future.

(By Taipei correspondent Chang Cheng) Yesterday, the exchange rate of the Communist Chinese RMB was devalued 9.57 percent in relation to the U.S. dollar. Calculating at the present exchange rate of NT\$27.25 per U.S. dollar, the value of 1 yuan RMB would be NT\$5.20, which signifies a proportionate rise in the exchange value of the NTD.

A functionary of the foreign exchange bank calculated that in December of last year, before the devaluation of the RMB, the exchange rate was 3.70 yuan RMB for 1

U.S. dollar, and as the exchange rate at that time was NT\$26.15 for 1 U.S. dollar, it follows that at that time the value of 1 yuan RMB was NT\$7.00.

Later, after the two large devaluations of the RMB, 1 U.S. dollar would now exchange for 5.2394 yuan RMB, while the exchange rate for the NTD is NT\$27.25 for 1 U.S. dollar, which means that the value of 1 yuan RMB is about NT\$5.20.

The executive of the foreign exchange bank said that during the period of not quite one year, the value of the NTD as against the RMB, calculated via the U.S. dollar, increased over 25 percent. Even without considering the effect of this on exports from these two territories, merely in view of the rapidly growing economic and trade contacts between the two sides of the Taiwan Strait, these huge changes in the value of the two currencies deserve close attention.

### Harmful to Exports

91CE0188B Taipei CHING CHI JIH PAO in Chinese  
18 Nov 90 p 1

[By Taipei correspondents Lin Tien-liang (2651 1131 5328), Tseng Liang-hsing (2582 2733 5281), and Ho Shu-chen (0149 3219 6297): "Renminbi Again Devalued—Harmful to Taiwan's Textile Exports"]

[Text] Mainland China's RMB was yesterday devalued 9.57 percent, which added to the competitiveness of mainland textiles and adversely affected Taiwan's textile exports.

It is at this time, when the textile industry of the mainland claims that it will penetrate third country territories, e.g. Hong Kong, and is mounting a large-scale offensive against the "domestic market" of Taiwan, that the RMB has again been devalued. This action has the entire Taiwan textile industry inwardly groaning with pain about the hardship it imposes on the industry.

In recent years, there has been a fierce competition in all world markets between textiles from the mainland and those from Taiwan. Many of Taiwan's overseas markets for midstream and downstream textiles have already been snatched away by the mainland. The situation is particularly threatening in such lines as garments, short-staple cloth, toweling, knitted stockings, and cotton yarn, causing either closure of factories or cutbacks in production. Some producers have scurried to the mainland to open factories there, some have simply closed up and turned to trading in mainland textiles, thereby getting themselves very close to the borders of legality.

The mainland had been most dissatisfied because Taiwan all along had a large favorable balance in the bi-coastal trade, so that mainland traders recently decided to vigorously open up the "domestic market" of Taiwan for themselves, using as a vanguard the mainland's most competitive line, textiles. This has produced a subtle change in the relationship between the textile

industries on the two sides of the Taiwan Strait and will lead to an even closer mutual relationship between them. Leading personalities of Taiwan's textile industry are fearful that textile importing countries, including the United States and the European markets, will impose restrictions on Taiwan's textile industry in view of the transshipment of mainland textiles. The government should quickly take precautionary action before it is too late, or consequences could be just too terrible to contemplate.

In the present bi-coastal trade exchanges, Taiwan is mainly shipping finished cloth to the mainland, of which the largest proportion are long-staple cloth and cloth of a mixture of long and short staples. At one time the mainland primarily shipped cotton yarn and gray cloth to Taiwan, but recently quotations from the mainland were too high, so that products from Pakistan and the Soviet Union have replaced these mainland products in the Taiwan market. The recent large devaluations of the RMB will have a detrimental effect on Taiwan's exports of yarn and cloth.

Producers of synthetic fibers say that at least 30 percent and at most 60 percent of the various synthetic fibers produced on Taiwan are shipped to the mainland. During the first three quarters of this year, importers on the mainland, in expectation of large RMB devaluations, have placed large orders with Taiwan's synthetic fiber manufacturing plants, and at present many textile processing plants and production lines are still busily working on goods delivered against orders placed during the third quarter.

Because the synthetic fibers imported by the mainland had been ordered before the large devaluation of the RMB, and since the RMB has now been greatly devalued, the mainland's downstream textiles have greatly raised their competitiveness abroad, and this whole affair amounts to a double slap in the face to Taiwan's textile industry.

Traders say while the RMB was greatly devalued, there have been sharp increases in the prices of raw materials needed by Taiwan's synthetic fiber mills; there is indeed no happy news at all for Taiwan's textile industry.

Traders in garments point out that the mainland's RMB was devalued last December by 21 percent, which already increased the competitiveness of their products abroad, and then recently again devalued another 9.57 percent. This will accelerate the disparity between waning for one side and waxing for the other side of the Taiwan Strait in overseas sales of goods of equal grade in all global markets.

Traders say that in restrictive territories, such as the United States, Canada, and the European market, ready-made clothes manufactured on the mainland have almost completely taken over the market for midstream and downstream goods. Even in Japan, a nonrestrictive country, Communist China's proportion of ready-made clothes is getting close to the volume from Korea. Purely

from the standpoint of competitiveness, Taiwan has already for a long time become no match for Mainland China in the exports of medium- and low-priced garments.

### Editorial Urges Heeding Warning on Capital Outflow

91CE0186B Taipei CHING CHI JIH PAO in Chinese  
17 Nov 90 p 1

[Editorial: "Thurrow's Warning Warrants Serious Thoughts"]

[Text] Professor (Thurrow) Yu Luo [0151 5012] chairman of MIT's School of Management and recipient of this year's Nobel Prize for Economics [as published], was invited to speak at the opening ceremony of the 14th Joint Conference of Taiwan-United States and United States-Taiwan Economic Councils on 15 November. In his speech, entitled "Taiwan's Role in the Global Economy in the 21st Century," he warned especially about Taiwan's premature-mode of economic development and said that the massive exodus of Taiwan enterprises constitutes a hidden danger that threatens the long-term upgrading of Taiwan's industries. Thurrow said that Taiwan's overseas investments may very well develop what is known as the American syndrome—industries moving overseas to the low-wage regions en masse, resulting in inadequate investment in the productive forces at home to upgrade the domestic industries. We must heed Thurrow's warning.

In recent years, it has become a hot trend for industrialists and entrepreneurs to move large sums of capital overseas to invest, especially in Mainland China. Ordinarily, as a part of the government's goal to internationalize Taiwan's economic development, citizens are encouraged to invest overseas. But the government mainly encourages three types of investments: one, Taiwan-foreign joint ventures to develop foreign economic resources, making available some of the products for domestic consumption; two, Taiwan-foreign technological cooperation, bringing new technologies home to raise Taiwan's technological level; three, investments in new plants abroad to assemble parts and components and intermediate products produced in Taiwan, marketing the finished goods on the spot. However, in analyzing today's Taiwanese foreign investments, few fit into those three categories. In addition, with regard to civilians investing in Mainland China, the government has always respected the rights of the entrepreneurs and has urged people to be careful and has recommended an indirect investment approach. But the government's good intentions were not appreciated by the entrepreneurs who circumvented regulations and restrictions and rushed into their mainland investments.

Of course the entrepreneurs have their reasons for investing overseas en masse. Among the reasons are the deteriorating domestic investment environment, deteriorating public order, worries about the security of life



and property in Taiwan, labor shortage and high wages, lack of industrial-use land and high cost of land, and inadequate motive forces and public facilities. In order to survive, the entrepreneurs are forced to invest overseas where wages are lower, which help lower production costs and make their products more competitive. Today, wages in Southeast Asia are only one-fifth to one-tenth of Taiwan's, and wages in Mainland China, especially, are only one-twentieth of Taiwan's. Thus, labor-intensive industries which can no longer survive and have no room to grow in Taiwan must take their chances overseas.

Many entrepreneurs have indicated that moving the labor intensive industries overseas not only gives those industries breathing room but also facilitates the rapid upgrading of other domestic industries. Moreover, so long as they remit the profit they make overseas back to Taiwan, and so long as their roots remain there, it should benefit the whole economy.

But is this in fact true? If we study and analyze this issue in depth, we will find that the way our foreign investments are shaping up actually has two adverse effects on the domestic economy: First, goods produced overseas, making use of local cheap labor, are already eroding Taiwanese-made products' overseas market. There are fewer orders for similar goods made in Taiwan, making things even more difficult for some manufacturers. Thus, this move has only created more competitors for ourselves. Second, the outflow of capital drains the country of funds needed to improve its technologies and upgrade its economy and therefore slows the pace of its economic ascent.

If we look at the process of a country's economic development, at the beginning, a developing country almost always starts out by exporting primary products. It gradually turns to exporting industrial goods and eventually becomes an exporter of capital. Great Britain was like this, and so were the United States and Japan after World War II. However, before a country can turn to exporting capital primarily, its industries must be so technologically advanced as to make it a world leader, and the massive exporting of capital should not jeopardize its economic leadership position. This is what Japan has achieved today; the United States no longer measures up. The export of capital from the United States has led to the decline of industries affected by the capital outflow, leaving a void in its industrial sector, which is also what Thurow referred to as the American syndrome.

As for Taiwan, its industrial structure and technological standards are of course no match for the Japanese; they do not even measure up to those of the United States. But it is exporting capital today, and therefore the American syndrome should come as no surprise. No wonder Thurow called ours a premature economy, which prompted his well-intentioned warning.

In the past, we have also calmly analyzed the abnormal outflow of capital, especially about the reckless investments in Mainland China, and have offered our sincere advice. We have urged the entrepreneurs to consider making some contributions to the our country's economy besides pursuing their own personal gains. But in a modern society where personal gains always come first, our advice mostly went unheeded. Today, as a foreigner and an internationally known scholar, Thurow is sounding the same warning. His advice should be taken seriously by the government and entrepreneurs.

Here we want to express the opinion that the government is much to be blamed for causing this abnormal, premature outflow of investment capital. From the entrepreneurs' standpoint, personal gain of course comes first. We cannot expect the entrepreneurs to guide and give impetus to the upgrading of the economy on their own; instead, it is up to the government to formulate plans and policies to give it impetus. Taiwan has sustained more than a decade of foreign trade surplus and has accumulated in excess of \$70 billion in foreign exchange reserve. If we put this rich resource to good use, it should not be too difficult to upgrade the economy quickly. But for many years, the government has said much but done little. Not only have they been conservative in policy but also in attitude. We cannot help but be anxious as we watch a perfectly good opportunity slip away while they stand by. Since the government is doing nothing, how can we blame the entrepreneurs for rushing overseas?

We have always found the rather aggressive economic conduct of the Japanese objectionable. But how did they become so successful economically? Few have tried in earnest to find out, even less to emulate. It is not too late to mend the fence after the sheep are lost. If we heed Profesor Thurow's warning and awaken the decision-makers in our government and the civilian entrepreneurs, we can still examine our mistakes, make amends, and begin over again. Only in this way will our economy have a future. Time and tide wait for no man. We must not go on fooling ourselves.

### 'Worsening' Social Order Analyzed

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pp 21-25

[Article by Chao Wei-sheng (6392 4850 3932), lecturer, Social Work Department, Baptist College; and Li Yung-nien (2621 3057 1628), research fellow in criminology, University of Hull, England: "Hong Kong's Social Order Problem"]

[Text] Recently Hong Kong's social order problem has again become the focus of attention of the media and community leaders. It is caused by a series of recent armed robberies. In addition, the official residence of the police department chief was robbed, and a gasoline bomb was thrown at a police station. The two incidents have pushed public concern over the problem dramatically to a new high.

In fact, robberies have increased continuously since the middle of last year. The number of armed robberies increased from seven in 1987 to 33 in 1989, rising more than fourfold in two years. Indications are that the situation is getting worse. In the first half of this year alone, the number of armed robberies has already reached 27, and this number does not include cases in which the robbers brandished weapons other than firearms or objects which looked like pistols.

Therefore, the residents' worry about the worsening social order is not entirely unfounded. Li Chun-hsia [2621 0689 1115], chief of the police department, also admitted in his department's annual report last year that the increasing armed robberies in recent years merits attention.

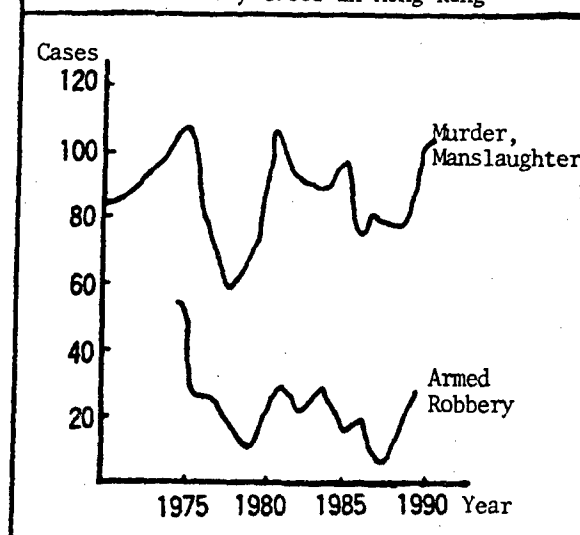
In the face of deteriorating public order and mounting social unrest, public opinion generally attributes the problem to inadequate police force and low police morale, which have given robbers more opportunities to commit crimes frequently. Besides, the government is planning to revise the laws, hoping to check crime with a harsher criminal code and restore the prestige of the government. Is the deteriorating public order really attributable to inadequate police force? In the period of political transition, what does Hong Kong's social disorder symbolize? This article will look into these questions from the sociological and criminological angles.

#### Was Social Order Better Than Now 10 Years Ago?

On the question of social order, people in general think that "it was better in the past than now." There seemed to be greater tranquility and fewer crimes in society in the past. In fact, the people's overall impression about social order is somewhat inaccurate. Judging by various criminal statistics, Hong Kong's social order was no better 10 years ago than it is today. In other words, Hong Kong's social order has been a problem for a long time.

Take murder and manslaughter for example. The number of cases peaked in 1975 and again in 1981, and

Table 1. Murder, Manslaughter, and Robbery Cases in Hong Kong



the crime rate dropped between the peaks. The third peak in 15 years occurred in 1989. Thus, murder and manslaughter have been a serious problem all along for more than 10 years.

Next, take a look at armed robberies. The seriousness of the problem is not just beginning today. As shown in Table 1, armed robberies have peaked three times in Hong Kong since the beginning of the 1980's. Although this year's growth rate may be more serious than the two previous peaks, statistics indicate that armed robbery cases were no fewer 10 years ago than they are today. The same is true of forced entry and robbery cases.

On the other hand, sexual assault and rape cases have increased repeatedly in Hong Kong in the past decade. There was an average of nearly 2.5 such cases daily 10 years ago, but the number increased to more than three a day in 1989, up about 30 percent in the last decade.

Ordinary robberies, however, have shown a dropping trend. As Table 2 shows, ordinary robberies dropped from an average of 25.5 cases daily 10 years ago to 17.5 cases per day in 1989, a decrease of about 30 percent in the last decade.

Judged from the above analyses, it can be seen that social order in Hong Kong has been fluctuating in the past decade. Some types of crime have increased, while others have dropped slightly. On the whole, social order has not improved substantially in the past 10 years, which is an indisputable fact. As to the degree of violence used in crime, it has indeed been increasing steadily in recent years, and crimes in which guns are used have occurred frequently, causing panic among the general public. The situation really calls for attention.

Table 2. Criminal Offenses in Hong Kong in the Last Decade

Type of crime	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
(A) Violation of the person										
Murder and manslaughter	86	105	93	84	84	89	67	72	71	102
Aggravated assault and battery/injuring people	6,314	6,231	7,265	7,610	7,874	7,589	7,804	8,310	8,183	9,194
(B) Violation of social morality										
Rape and sexual assault	870	823	863	856	855	881	880	1,045	1,019	1,139
(C) Infringement on property										
Armed robberies	22	30	21	30	23	17	18	7	19	33
Forced entry and robbery	8,989	10,583	11,526	11,308	12,663	13,922	11,942	10,601	10,749	10,913
Other robberies	9,334	8,233	8,527	8,278	7,222	6,728	5,354	5,454	5,686	6,419

Table 3. Number of Robberies 1985-1989

Type of robbery	1985	1986	1987	1988	1989
Armed robberies	17	18	7	19	33
		(5.88)	(-61.11)	(171.43)	(73.68)
Other robberies	6,728	5,354	5,454	5,686	6,419
		(-20.42)	(1.87)	(4.25)	(12.89)
Total	6,745	5,372	5,461	5,705	6,452
		(-20.36)	(1.66)	(4.47)	(13.09)

Note: Figures in parentheses are percentage increase or decrease from previous year.

#### Armed Robberies Increasing Rapidly

What is the trend of robberies in Hong Kong in recent years? We can look for answers in Table 3. As the figures show, the total number of robberies in Hong Kong showed no significant change, up or down, in the five years from 1985 through 1989. The number in 1986 even dropped by some 20 percent from that in 1985, and the increases in 1987 and 1988 were both less than five percent. However, the increase in 1989 was more than 13 percent. The figures in the "other robberies" category show a similar rising and falling trend. But it merits

attention that the number of "armed robberies," except for a slight rise in 1986 and a drop in 1987, increased by a very large margin in 1988 and 1989. It rose by 171 percent in 1988 over 1987, and nearly 74 percent in 1989 over 1988.

Table 4 shows that all types of robberies increased sharply in the first two quarters of this year over the same period last year. "Armed robberies" in the first two quarters this year were up more than 100 percent over the same period last year. "Robberies involving the use of pistol-like objects" in the first and second quarters of this year were up 94 percent and 34 percent respectively over the first and second quarters of last year. "Other robberies" increased 38 percent (first quarter) and 39 percent (second quarter) respectively. Comparing the first two quarters of this year, except for "robberies involving the use of pistol-like objects," which decreased, "armed robberies" and "other robberies" all increased in number.

To sum up the above figures, robbery cases in Hong Kong as a whole have tended to rise rapidly in the last year. "Armed robberies" began to increase sharply in 1988. The number of robbery cases in the first two quarters of this year showed that the aforementioned rising trend is continuing.

Table 4. Quarterly Comparison of Robbery Cases

Type of robbery	A				
	1990 1st quarter	1989 4th quarter	1989 1st quarter	1st quarter 1990 minus 4th quarter 1989	1st quarter 1990 minus 1st quarter 1989
Armed robberies	13	12	6	+1	+7
Robberies involving use of pistol-like objects	101	81	52	+20	+49
Other robberies	1,907	1,788	1,386	+119	+521

Table 4. Quarterly Comparison of Robbery Cases (Continued)

B					
Type of robbery	1990 2d quarter	1990 1st quarter	1989 2d quarter	2d quarter 1990 minus 1st quarter 1990	2d quarter 1990 minus 2d quarter 1989
Armed robberies	14	13	6	+1	+8
Robberies involving use of pistol-like objects	71	101	53	-30	+18
Other robberies	1,937	1,907	1,391	+30	+546

Table 5. Distribution of Police Personnel (Uniformed and Criminal Departments) in Chung Huan, Yu Ma Ti, and Wang Chiao Police Precincts

Year	Chung Huan	Yu Ma Ti	Wang Chiao
1986	720	945	564
1987	717	953	574
1988	718	976	588
1989	706	962	584

Table 6. Police Personnel (Uniformed and Criminal Departments) Per 1,000 Population in Chung Huan, Yu Ma Ti, and Wang Chiao Police Precincts

Year	Chung Huan	Yu Ma Ti	Wang Chiao
1986	6.210	4.417	2.783
1987	5.794	4.492	2.806
1988	5.625	5.561	2.812
1989	5.988	6.338	3.142

### Are Crimes Increasing Because the Police Force Is Inadequate?

It is generally held that the crime rate certainly can be reduced by strengthening the police force and enforcing harsh law and punishment. Some people attribute the deterioration of social order in recent years to insufficient police force and low police morale. What is the relationship between the two after all? We can look for answers to this question from some statistics published by the Police Department. As most of the recent robberies have taken place in banks, gold shops, and watch shops in Chung Huan, Yu Ma Ti, and Wang Chiao, we need only to find out if the police force was insufficient in these three police precincts in the last four years; then we can see the relationship between the police force and robberies.

The data in Table 5 shows that in the four years from 1986 through 1989 the number of police personnel in the Chung Huan, Yu Ma Ti, and Wang Chiao police precincts had not changed very much. Chung Huan had a police force of more than 700 in each of the four years. Yu Ma Ti had an even stronger police force, averaging about 950 and Wang Chiao had nearly 600 police officers. Moreover, Table 6 shows that in the past four

years the number of police personnel per 1,000 population in each area also remained very stable. The proportion in Chung Huan was 5.6-6.2 per 1,000; Yu Ma Ti, 4.4-6.3 per 1,000; and Wang Chiao, 2.8-3.1 per 1,000. The ratio of police personnel in relation to population is obviously on the rise in the Yu Ma Ti and Wang Chiao police precincts. An analysis of the above data reveals that the police force has not been weakened in the three police precincts in the past four years. On the contrary, it has been strengthened steadily in some areas.

The police strength in Chung Huan, Yu Ma Ti, and Wang Chiao has not decreased, but "armed robberies" have increased in these three areas, particularly in Yu Ma Ti and Wang Chiao. In Yu Ma Ti, the number of "armed robberies" in the first half of 1990 was already 80 percent higher than in the entire year of 1989. In Wang Chiao, the number increased from zero in 1987 to four in 1988 and nine in 1989. It is obvious that inadequate police strength is not a cause of increasing robbery cases.

### Does Lack of Public Security Encourage Crime?

People also often link crimes to the lack of public security measures. They maintain that, with careful prevention, crime is less likely to occur. This argument is similar to the environmental theory in criminology. The environmental theory is mainly to analyze the occurrence of crimes from the angles of social and actual environments.

According to environmental theory, if crime targets (banks, gold shops, watch shops, and so on) are concentrated in a certain area, that area's "crime temptations and opportunities" will be high. Moreover, if "crime prevention facilities" are inadequate in the actual environment, crimes are apt to occur. If preventive measures are sufficient, crimes certainly can be reduced. Crime-prevention measures include "surveillance" and "strengthening the self-defense ability of crime targets."

Environmental theory explains why robberies occur much more often in Chung Huan, Yu Ma Ti, and Wang Chiao. They are all areas where banks, gold shops, watch shops, and other crime targets are concentrated, and where crime temptations and opportunities are high. And these areas are ordinarily teeming with people, which provides excellent cover for criminals. However, with respect to crime-prevention facilities, most of the

banks, gold shops, and watch shops in these areas are very well equipped, with guards at entrances, electric gates, iron gates, unbreakable or bulletproof glass, and closed-circuit television, for example, which should give no encouragement to criminals.

From the above analysis, it can be seen that police strength and crime-prevention facilities are no doubt important, but to attribute the rising crime rate mainly to insufficient police strength and crime-prevention facilities would be oversimplifying the problem and losing sight of the facts.

### How To Improve Social Order?

In the face of worsening social order, the government seems to be at the end of its rope. Whenever the question of social order is raised, the government always makes the usual call for "strengthening the police force." The Crime Eradication Committee seems to be playing just a cheerleader's role. To be sure, the clamor for cracking down on crime can indeed arouse public spirit and temporarily enhance the government's determination and prestige. However, for more than a decade the government has made a continuing effort to strengthen the police force and boost the morale of police personnel and it has improved the working conditions to attract more people to join the police force. As a result, the image of police personnel has been greatly improved and the quality of police work has been raised, which are welcomed by the people; but has social order been improved as a result? Have the lives of the residents been made safer and more secure? The previous analysis has provided clear answers to these questions.

Facts show that the policies for improving social order always adopted by the government are conservative. These policies simply assume that there are a handful of bad people in society who have certain immoral or unhealthy qualities and, therefore, are like to defy social morality, commit crimes, and do evil. According to this assumption, society needs only to strengthen control and impose heavier punishment, and crime will be wiped out.

These policies have the greatest appeal to the residents, who are frightened by the lack of social order. It is because when an ordinary person feels "himself" threatened, he usually hopes for someone "above himself," someone with power, to protect him, and the police are this someone in the eyes of the residents in general. However, if the government's policies on social order are designed only to cater to the residents's feelings and fail to deal with the problems, then their effectiveness in improving social order will be very limited.

In fact, a set of effective policies on social order should be based on a complete analysis of the problems. For example, are there crime-causing factors within the social structure? What is the social meaning of the destruction of social order? These are questions which must be faced.

There are many sociological theories on the relationship between crime and social structure, such as the theories of "social alienation," "unequal opportunities," and so forth. So-called social alienation refers to the dislocation of the goals pursued by society from the effective ways to attain them. For example, the pursuit of money is a goal of life in Hong Kong, but in reality not many people can get rich.

An extension of the alienation theory will lead to the discovery of "unequal opportunities." The meaning of the latter theory: Some people have better conditions and more legal ways to get rich, but due to unequal distribution in society, more people do not have the conditions or legal ways to get rich. So, having no faith in society, some people resort to illegal means to get rich and attain the goal set by society. Also, because it is often possible for some people to make exorbitant profits in legal but unethical ways, such as unethical business practices, those who have failed to make a profit by legal ways become all the more contemptuous and disrespectful of the "legal ways." When social order is itself unfair, the effectiveness of laws and regulations is naturally weakened.

To solve the social order problem, in addition to strengthening social control, it is also necessary to attack the problem at its source.

First, when formulating social policies, the government should not remain indifferent to the lifestyle molded by the market, one which puts the main emphasis on the pursuit of money. However, the present policies not only fail to check this dominant idea, but strengthen it in various ways. As a result, the psychology of "grabbing money for self-preservation" is widespread in society.

Second, present social policies fail to encourage fair distribution of social resources, power, and positions. On the contrary, they try in every way possible to gloss over the inequitable system. In fact, few people can change their social status and ability to control resources under the current social policies.

Third, it is doubtful whether the law is applied equally to both the poor and the rich. For example, the incidents in the Justice Department and the way many commercial crimes were handled have all caused a lot of criticism. To improve social order, it is necessary first of all to ensure that the poor and the rich are treated equally in society.

Finally, in the period of political transition, society is filled with an atmosphere of "approaching an end." It seems that even the government is not free of this kind of feeling in its operations. The combination of this feeling with the "money-grabbing" goal mentioned above has led to a pitiable sense of gambling. "Make the greatest gain in the shortest period of time" has almost become a motto. When both legal and illegal acts seem to be irrational, social order also becomes hard to maintain.

In the long run, improving social order cannot rely only on strengthening the police force and tightening control. The government must adopt a set of equitable social policies so that a social order respected by the residents can be established.

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